

Social Investment Funds and Indigenous Peoples

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Washington, D. C.

**Sustainable Development Department
Best Practices Series**

**Cataloging-in-Publication:
Inter-American Development Bank
Felipe Herrera Library**

Renshaw, Jonathan.

Social investment funds and indigenous peoples/Jonathan Renshaw.

p. cm. (Sustainable Development Department. Best practices series; IND-108)
Includes bibliographical references.

1. Indigenous peoples--Guyana--Case studies. 2. Indigenous peoples--Honduras--Case studies. 3. Economic development projects. 4. *Nuestras Raíces* (Government Program : Honduras) 5. Social Impact Amelioration Programme (Guyana) I. Inter-American Development Bank. Sustainable Development Dept. Indigenous Peoples and Community Consultation Unit. II. Title. III. Series.

306.08 R852--dc21

Jonathan Renshaw is a consulting anthropologist and former staff member of the Bank, specializing in operational applications of anthropological perspectives. A prior version of this paper was presented and discussed at an inter-agency seminar organized by the World Bank, PAHO and the IDB entitled "Indigenous Peoples and Social Sector Projects," which was held in April 2000. The author is grateful to all those who made this study possible, especially the staff of the executing agencies and the people in the participating communities for their important insights and for their time. Additional comments and suggestions are welcome.

The opinions expressed herein are those of the author and do not necessarily reflect the official position of the Inter-American Development Bank.

June 2001

This publication (No. IND-108) can be obtained from:

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FOREWORD

Social investment funds have become one of the main vehicles by which governments address the needs of the rural poor. Multilateral development banks, including the Inter-American Development Bank, have developed a large portfolio of operations in support of social investment funds and have often played a major role in their design. Given that indigenous peoples are disproportionately represented among the rural poor, targeting mechanisms to increase access by indigenous and other vulnerable communities has become a standard feature in many social investment funds.

This paper identifies two types of targeting mechanisms: *inclusive* funds that do not distinguish indigenous people from other sectors of society based on ethnicity and *exclusive* funds or components intended only for the indigenous or ethnic population. The author discusses the merits of both approaches and identifies four factors that determine their effectiveness in reaching targeting goals: geographic isolation, social exclusion based on racial or ethnic prejudice, social and cultural factors including language, structures of authority and economic values, and finally, the capacity of the indigenous organizations. These issues as well as portfolio composition, institutional context and procedures, and sustainability and cost factors are explored in more detail on the basis of a comparative analysis of two IDB funded operations that are widely considered to be successful: the SIMAP Amerindian program in Guyana and the FHS *Nuestras Raíces* program in Honduras. The results of both of these ethnically targeted programs have been impressive compared to the regular social investment programs. However, the lessons learned from this initial review point to some areas that could be improved upon in order for those programs to develop their full potential and become models for replication in other countries.

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CONTENTS

I.	SOCIAL INVESTMENT FUNDS AND INDIGENOUS PEOPLES	1
	Background	
	Indigenous Poverty	
	Social Investment Funds and Indigenous People	
	Justifications for Indigenous Social Investment Programs	
	Capacity Building	
	Project Portfolios	
	Institutional Context and Procedures	
	Sustainability and Costs	
	Conclusions	
II.	SIMAP AMERINDIAN PROGRAM IN GUYANA	11
	Background	
	Targeting and the Selection of Beneficiaries	
	Selection and Eligibility of Projects	
	Project Portfolio	
	The Project Cycle	
	Project Targets	
	Impact of the Amerindian Program	
	The Issue of Counterpart Contributions	
	Coordination	
	Conclusions and Recommendations	
III.	<i>NUESTRAS RAICES</i> PROGRAM IN HONDURAS	22
	Background	
	The Ethnic Population in Honduras	
	Justification for the Ethnic Program	
	Activities and Institutional Structure	
	Portfolio	
	The Rural Funds (<i>Cajas Rurales</i>)	
	Municipal Funds	
	Coordination with Other Agencies	
	Conclusions and Recommendations	
	BIBLIOGRAPHY	33

ABBREVIATIONS AND ACRONYMS

APA	Amerindan Peoples Association
CAPI	<i>Componente de Atención a la Población Indígena</i>
CDC	Community Democratic Council
CDO	Community Development Officer
CIL	Local Indigenous Council
COAJ	<i>Consejo de Organizaciones de Aborígenes de Jujuy</i>
CONPAH	National Confederation of Indigenous Peoples of Honduras
COPIN	Coordinating Body of Local-Level Organizations of Intibucá.
DECOPAZ	Community Development for Peace
FHIS	<i>Fondo Hondureño de Inversión Social</i>
FONCODES	<i>Fondo Nacional de Compensación y Desarrollo Social</i>
FUNDER	Foundation for Rural Development
GOIP	Guyanese Organization of Indigenous People
INAI	National Institute for Indigenous Affairs
INI	National Indigenous Institute
MASTA	Mosquitia Asla Takanka
NDC	Neighborhood Democratic Council
NGO	Nongovernmental Organization
OFRANEH	Organization of Black Brothers of Honduras
ONILH	Lenca Indigenous Organization of Honduras
PDO	Private Development Organization
PRONASOL	National Program of Solidarity
SIMAP	Social Impact Amelioration Program
TAAMOG	Amerindian Action Movement of Guyana
UBN	Unsatisfied Basic Needs
WFP	World Food Program

I. SOCIAL INVESTMENT FUNDS AND INDIGENOUS PEOPLES

The aim of this paper is to offer a brief analysis of the social investment funds for indigenous people that have been financed by the Inter-American Development Bank (IDB), and to consider how far they have been effective in meeting the needs of indigenous people. Also discussed is the issue of when or in what circumstances a separate program or component for indigenous people can be justified.

Background

The concern with indigenous poverty is a relatively new issue for the multilateral agencies, and has grown out of two rather different areas. The first has been the need to mitigate the impact of bank financed projects, principally transport, energy and integrated rural development projects, on the “tribal” populations living in the tropical regions of Latin America. This has been, and continues to be, an important and legitimate concern for the banks. The second area is rural development, which until the demise of the integrated rural development projects, some 15 years ago, focused on agricultural development among indigenous and nonindigenous smallholders, particularly in the highland areas of Mexico, Central America and the Andean countries. These projects were not targeted at particular ethnic groups and were not particularly sensitive to social or cultural issues. Although integrated rural development is no longer a valid paradigm, it has not really been replaced by a new model for rural development. The nearest are the sustainable development projects (such as the IDB projects for the Petén in Guatemala and the Darién in Panama), which focus on natural resource management, but include productive components for indigenous and nonindigenous peoples.

In the absence of rural development projects, multilateral financing reaches the rural poor

through health and education programs, micro-enterprise and social investment funds. Neither microenterprise nor social investment funds were originally designed to address rural poverty. Microenterprise financing took off in urban areas, providing small, short-term loans at rates below those charged by usurers who typically dominate the market for informal credit, and was channeled into service and commercial activities, or small-scale manufacturing.

The social investment funds were initially designed to mitigate the impacts of economic stabilization policies. The first of these programs, the *Fondo Social de Emergencia*, was started in Bolivia (1986), and was basically an employment creation scheme, intended to provide work for miners who had lost their jobs as a result of the restructuring of the State Mining Corporation, COMIBOL. Subsequent programs placed greater emphasis on investment in infrastructure, but nearly all were conceived as temporary measures that would be superseded once stabilization policies had led to greater economic growth. In fact, although most of these funds failed to have a significant impact on employment, they have now been established in nearly every country in Latin America, and have been adopted throughout the developing world.¹

The popularity of these funds is largely due to their flexibility and their participatory approach. Most are independent of the main ministries—they often come under the direct responsibility of the Presidency, and are able to work with simplified procedures. Typically, the rules for tendering and recruitment are simpler than in other government agencies, and priorities are identified at a local level, by the beneficiary

¹ For an overview of the IDB portfolio see *Social Investment Funds in Latin America: Past Performance and Future Role*, by Goodman, Morley, Siri and Zuckerman, IDB 1997.

communities, municipal or regional government agencies. The main activity of the funds continues to be the provision of finance for basic infrastructure; particularly schools, health centers, water supply and access roads. Some funds also have small microenterprise credit or productive programs. Most social investment funds have mechanisms for targeting resources to the poorest areas. In some cases the funds are assigned on a regional or municipal basis. In others, the poverty indicators of the beneficiary community or region are used in assessing project priority.

A few countries have established separate funds specifically for indigenous people. The IDB is financing projects of this kind in Guyana, Honduras and Argentina.² More typically, however, the funds are poverty focused, and it is assumed that indigenous people will have equal or greater access than the rest of the population, as they are usually among the poorest sectors of society. This assumption is not always justified, however, as indigenous people are often excluded from local power structures, even in those areas where they constitute the majority of the population. Moreover, by refusing to contemplate specific programs for indigenous people, the funds lose the opportunity to accommodate the specifics of language, culture and social organization.

Indigenous Poverty

Although increasing numbers of indigenous people are living in the major cities of Latin America, particularly Mexico City, Guatemala, Lima, and La Paz/El Alto, the origins of indigenous poverty are to be found in the rural areas where indigenous people constitute a distinct, easily identifiable sector of the population. The underlying causes of indigenous poverty are largely structural. That is to say, they are rooted in the unequal social and

economic relations that obtain between indigenous people and other sectors of society.

This inequality is often manifest in the structure of land tenure, with indigenous people living interspersed with the nonindigenous population on plots that are too small to be economically viable (Andes, Highlands of Central America) or in the least productive marginal areas of the country (Argentina, Chile). In the tropical areas of Latin America, land tenure used to be less of an issue than access to credit and markets, but in the last three decades this has changed dramatically as ranchers and colonists have expanded into forest areas that were traditionally the domain of extractive industries.

Indigenous people are often disadvantaged in their access to markets, credit, technology and basic services, such as education, health care, water supply and other community infrastructure. Language, cultural differences and physical isolation can be important factors, as for instance in the case of the Amerindian communities of Guyana. In other situations, perhaps most typically where indigenous people live in closer proximity to nonindigenous *mestizo* or *ladino* populations, the main issue is "social exclusion" due to racial, ethnic and/or religious prejudice. An example of this is Paraguay—the only country in Latin America where the nonindigenous *mestizo* population speaks an indigenous language—where a survey found that 77 percent of the population considered indigenous people "to be animals as they have not been baptized."³

Indigenous people have traditionally been excluded from the political process, and this has limited their ability to lobby for resources. They have been doubly disadvantaged, as a rural population and as a distinct ethnic group, with their interests often represented by NGO (Non-governmental Organizations) or missionary

² See the case studies of the SIMAP Amerindian Program in Guyana and *Nuestras Raíces* in Honduras. The project in Argentina is the *Componente de Atención a la Población Indígena* (CAPI), part of the Vulnerable Groups Project (AR-0141).

³ Schwartzman, 1983. The original research was carried out in 1974. Since then attitudes have improved, particularly among the more educated urban population. For studies of social exclusion in Argentina, see Fernández and Linari, 1998, and for Brazil, see Ribeiro, 1973.

organizations. This has begun to change in recent years as authoritarian regimes have been replaced by elected governments throughout Latin America. Indigenous people are now running municipalities in Colombia, Ecuador, Guatemala, Honduras and Bolivia, and are playing an increasingly important role in the national politics of Ecuador and Bolivia. Many indigenous leaders, however, face a difficult choice in knowing how far they should engage in partisan political activity that is often of little relevance to their own priorities.

There is less of a link between indigenous poverty and the state of the national economy than there is with most urban populations. Urban indigenous people, particularly the laborers who live in single industry towns (mining towns in Bolivia and Colombia, the sugar producing areas of northwest Argentina) have been vulnerable to the impact of economic stabilization, and are perhaps less easily reabsorbed into different areas than are other sectors of the population. On the other hand, there is little evidence to show that economic growth has necessarily had a positive impact on indigenous people. Indeed, some studies suggest that the obverse is often true. During the boom years from the 1950s to the early 1970s, for example, poverty levels increased in the poorest Central American countries, with the impact almost certainly falling on the indigenous population of Guatemala and Honduras (Siri, 1997: 2).

This can best be understood by looking at what happens in areas that are undergoing rapid economic growth, such as the coastal areas of Guatemala during the 1950s and 1960s, or eastern Bolivia during the 1970s and early 1980s. The increasing value of export crops leads to an increase in the value of land, and traditional *hacienda-type* systems of production based on patron-client relationships are replaced by more dynamic, market-oriented enterprises. Indigenous people may be evicted from the lands they occupy, and forced into the itinerant rural workforce needed for the production of crops such as sugar, coffee, cotton and export vegetables. Given the absence of any effective controls on recruitment practices and

the lack of labor organizations, the conditions of employment, often by subcontractors, are usually deplorable, characterized by long hours, dangerous working conditions, child labor, low wages, and the lack of even the most basic amenities.⁴

Social Investment Funds and Indigenous People

Indigenous poverty is rarely a transitional phenomenon of the kind the social investment funds were originally designed to address. Indigenous poverty is rooted in social and economic relations, and cannot easily be resolved through investment. This presents a challenge for governments and the development banks, whose primary activity is project lending.⁵ While investment is necessary, it is not by itself sufficient to transform the underlying causes of poverty. Indeed, poorly controlled investment may actually achieve the opposite, the resources being captured by other, socially or politically dominant sectors, and leading to the kind of economic development that can prejudice indigenous people.

By their very nature, social investment funds are small in scale and widely spread, and are unlikely to have a significant negative impact on indigenous communities. The key issues are whether they can be distributed equitably, and whether they can be applied effectively and achieve sustainable results. While there is rarely, if ever, any question about whether indigenous people should have access to these funds, it is possible to identify two distinct approaches as to how they should be included. The most common approach, which could be labeled inclusive, does not distinguish indigenous people from other groups on the basis of ethnicity. It assumes that, other things being equal, indigenous people should have the

⁴ See Plant, 1998. Also Rigoberta Menchú, 1985 for a vivid description of plantation work in Guatemala.

⁵ Although the MDB engage in a range of other activities, it is the scale and importance of their lending operations that gives credibility to the policy dialogue.

same access as any other population group. Indeed, most inclusive funds, such as the Peruvian *Fondo Nacional de Compensación y Desarrollo Social* (FONCODES), incorporate targeting mechanisms to ensure that a larger proportion of funds is assigned to the poorest regions and municipalities, these typically being the areas with the highest concentration of indigenous population.

The alternative, an approach that could be labeled exclusive, is to have a separate fund or component, intended only for the indigenous or ethnic population.⁶ This does not necessarily imply that indigenous peoples are excluded from the mainstream social investment fund. Indeed, in both the case studies (the SIMAP Amerindian Program in Guyana, and *Nuestras Raíces* in Honduras) indigenous people were also beneficiaries of the mainstream programs. In fact, the Director of *Nuestras Raíces* estimates that perhaps 20 percent of the projects from the regular *Fondo Hondureño de Inversión Social* (FHIS) were carried out in ethnic communities, which account for only 11-12 percent of the population of Honduras.

The inclusive approach is appropriate in situations where ethnic targeting could exacerbate existing tensions between indigenous and *mestizo* or *ladino* populations. In Highland Guatemala, two IDB-supported funds, Community Development for Peace (DECOPAZ) and Women's Role in Democratic Consolidation, have deliberately avoided ethnic labeling, and are designed to restore relations between the indigenous and *ladino* population in the areas that were most affected by the civil war.

On the other hand, it is perhaps significant that where exclusive programs exist, they often adopt a flexible definition of what constitutes an indigenous or ethnic population. In Guyana, SIMAP's Amerindian Program requires that the beneficiary population "be made up *primarily* of Amerindians and not less than 250 persons" (my

italics). Similarly, in Honduras it is clear that many of the communities that participated in *Nuestras Raíces* were rediscovering their identity as Lencas, and there was no evidence to suggest that potential beneficiaries were ever rejected on the grounds that they did not belong to indigenous or ethnic populations. However, given the modest resources assigned to the programs, and the relatively demanding counterpart requirements, it is unlikely that nonindigenous groups would be interested in these programs.

Justifications for Indigenous Social Investment Programs

There are various justifications for establishing separate funds for indigenous people even if they are already able to access the mainstream social investment program. The first is poverty. It is well established that in terms of conventional indicators, indigenous people are almost invariably among the poorest groups in Latin America (Psacharopolous and Patrinos, 1994, Deruyttere, 1997: 5). This is true at the national level, and also across sectors. In rural areas, for example, indigenous people are typically poorer than similar sectors of rural society. They have less access to basic services, such as drinking water or access roads, lower levels of formal education, and higher indicators of morbidity and mortality. By targeting the indigenous population, an investment fund almost automatically ensures that the resources will reach some of the poorest sectors of the rural population.

In practice, existing programs for indigenous people are distinguished by their approach and methodology, and are more than simply an alternative way of targeting the usual social investment programs. Typically, they have to address the features that differentiate the indigenous population from other sectors of the poor. There are four factors that are particularly important here, which to some extent are interrelated. The first is geographic isolation. The second is social exclusion, based on ethnic or racial prejudice. The third is the issue of social and cultural differences, covering areas such as language, structures of authority

⁶ In some countries, for instance Honduras and Ecuador, the ethnic population includes people of African or Afroindigenous origin, such as the Garifuna.

and economic values. Finally, there is the need to develop or strengthen the capacity of indigenous organizations.

In Guyana, the physical isolation of most indigenous communities is critical. Few communities can be reached by road, and the main means of transport are canoe or light aircraft. Economic opportunities are limited, due to the high cost of transport, basic commodities, including foodstuffs and gasoline, are expensive, and the coverage and quality of basic services, including schools and health care, are often inadequate. At the same time, isolation has allowed Amerindian communities to maintain a degree of social and economic autonomy. Although there are few countries where such a high proportion of indigenous people live in remote areas, similar situations can be found throughout Latin America: along the Atlantic coast of Honduras and Nicaragua, the Pacific coast of Panama, Colombia and Ecuador, in the Eastern Amazon, and in the Gran Chaco.

One of the main justifications for the SIMAP Amerindian Program is the need to adapt procedures to the realities of isolated up-country communities. Standard SIMAP tendering procedures, for instance, are unsuitable, as few contractors are willing to work in remote Amerindian communities because of the high transport costs and the difficulty of organizing local labor. The Amerindian Program, on the other hand, allows the beneficiaries to select contractors they know personally, and is beginning to implement infrastructure projects through training, paying a basic stipend to the trainees who construct the buildings. This offers the double benefit of short-term paid employment in communities where there are virtually no opportunities for wage earning, and training in basic construction or carpentry skills, which at the very least ensures a capacity to maintain the community infrastructure.

In many Latin American countries indigenous people are excluded from social and development programs on the grounds of race or ethnicity. The rationale for exclusion is perhaps most crudely expressed at the local level, where municipal authorities or local line agencies may

ignore the needs of indigenous people, or refuse to work with them on the grounds that they “do not want to work.” At the national policy-making level, neglect is sometimes justified on anthropological grounds, as for instance by the idea that the indigenous societies of the Chaco are “hunters and gatherers of projects”.⁷ In these situations the only way to ensure that resources reach the indigenous population is either by establishing a separate fund or component, or by earmarking a certain proportion of the social investment fund.

A separate fund for indigenous peoples offers the opportunity to address the social and cultural differences between them and other groups of the national society. Language is one of the most immediately obvious features that make it difficult for indigenous people to participate in national poverty reduction programs. In regions, such as Highland Peru and Bolivia, where a large proportion of the population are monolingual or bilingual in one or two major indigenous languages (Quechua, Aymara) it may be feasible for a mainstream program to work in the native language. In other areas of Latin America, including the Eastern Lowlands of Peru and Bolivia, there is much greater linguistic and ethnic diversity, and many indigenous people do not speak the official national language(s). At the very least, this requires that programs for indigenous people work with promoters or trainers who speak the native language and understand local culture and conditions. The most obvious way to do this is to work through existing indigenous organizations. In Honduras, for example, *Nuestras Raíces* is closely coordinated with indigenous federations and national confederations, and the federations are responsible for nominating the *enlaces étnicos*—promoters who work at the municipal level alongside the promoters from the Honduran Social Investment Fund.

The issue of social and cultural sensitivity goes beyond language. The values, attitudes and expectations of indigenous people are often different from those of other sectors of the national society. The indigenous economy is

⁷ Volker von Bremen, 1987.

typically founded on social relations, and is characterized by notions of reciprocity rather than the values of the market. This may extend to some relations with outsiders, even to the exploitative patron-client relationships, typical of many extractive economies (Perafán, 1999). This is a sensitive and difficult area, and may imply a rather different notion of what is meant by “development.” While certain basic elements (good health, food security, justice, access to knowledge) are probably universal, others, particularly income or material wealth, may not be, especially if the trade-off implies significant changes in social relations, environment or loss of leisure. This is not to imply that indigenous societies are static, but it does demand more careful thought and discussion about the goals of indigenous development.

Capacity Building

Traditional indigenous social organization tends to be based on kinship and informal, and has not developed in response to the demands of the market economy. Moreover, indigenous people are often disadvantaged in their relations with the rest of the national society by their lack of formal education. As a result, they are often excluded from development because they lack the formal institutions with legal personality, or the capacity to administer funds and operate in the market.

In recent decades there has been a tremendous growth of indigenous organizations. Many have developed from the top down, starting as national consultative councils, and only later establishing a presence at the local grassroots level. As a result, they have typically had more success in achieving political goals than they have in achieving social or economic development at the community level. Political participation has often started as confrontation: protest marches, occupations, and in the case of Chiapas, open rebellion. Only later has this developed into mainstream political activity. Honduras offers a typical example, with the indigenous movement gaining political ground

during the protests and marches of the mid-1990s, and later dividing, with some organizations continuing to press political aims, and others, such as the Lenca Indigenous Organization of Honduras (ONILH), emphasizing community-level social and economic development.

Local institutional capacity is critical to achieving sustainable social or economic development. Indeed, capacity building (rather than income or service provision) is perhaps the essence of grassroots development, as it moves indigenous people in the direction of being able to deal with other sectors of society on equal terms. It helps them establish direct access to resources and to use the resources in a sustainable manner. Essentially, it is a three-stage process: analysis of the community’s needs and priorities, the proposal of solutions to these needs and, finally, implementation of the solutions. By definition, this is a participatory process, led by what might be termed “organizational training,” or perhaps “facilitation,” and is later consolidated through the development of technical and administrative skills.

Recent years have seen the development of a new kind of indigenous organization. These are the indigenous NGOs that aim to support indigenous communities rather than represent them. They are usually staffed by indigenous professionals and field workers, such as extension workers, health auxiliaries, and rural teachers, although some also hire nonindigenous professionals and field staff. Examples include ONILH in Honduras, the *Consejo de Organizaciones de Aborígenes de Jujuy* (COAJ) in northern Argentina, and the Amerindian Peoples Association (APA) in Guyana. These organizations have partly developed as a reaction against the abuses of the intermediary, sometimes church-sponsored NGO, that have pushed their own political and/or religious agendas, and have operated with little or no financial transparency. They are also a reaction against the unrepresentative and often unscrupulous “professional” indigenous advocates who make a living representing this or that region or ethnic group.

Project Portfolios

The funds described in the case studies finance a very different range of activities. The SIMAP Amerindian Program has a similar focus to the regular SIMAP projects, and includes the development of local infrastructure (schools, community centers, health posts, roads and jetties) training programs, and some productive projects. In Honduras, on the other hand, *Nuestras Raíces* invests in the repair and construction of access roads, and the income generated by the investment is used to set up or strengthen local self-help savings and loan schemes (*cajas rurales*).

In the SIMAP Amerindian Program infrastructure projects make up the largest portion of the portfolio, followed by training, and lastly by productive projects. Although projects are expected to address the priority issues facing the community, the emphasis on infrastructure arguably responds to the community's perception of the fund's possibilities and, perhaps more significantly, to the relatively simple organizational demands of the projects. Simple infrastructure projects offer a useful starting point for the development of local institutions, requiring the motivation and mobilization of the beneficiaries, above all to comply with the program's demand for a counterpart contribution in labor and/or materials. The organization can later be consolidated through more complex projects, such as training or transport projects. The productive projects are the most difficult as they require an accounting and organizational system to manage the activity and distribute the benefits fairly.

Nuestras Raíces has a rather different starting point. Where the program has been most successful, particularly in the south of Honduras, along the border with El Salvador, most communities already have experience of grassroots development. This is the result of bilateral and multilateral aid programs and, more recently, of programs managed by the indigenous federations. The very simple institutional structure of the program has allowed it to channel funds directly to the communities, with an absolute minimum of bureaucratic delay or political

influence, and the community organizations have utilized the funds in a variety of ways. Most of the funds offer microcredit loans that can be used to finance productive activities, housing improvement (such as tin roofs or building materials) or family emergencies (such as sickness, funerals and so on). Some have also established community enterprises (for example a community store, a butcher's shop, and a cattle-raising project), and others have invested in community infrastructure, such as street drains or community centers.

Institutional Context and Procedures

The programs described in the case studies are similar, both being subprograms of national social investment funds. The SIMAP Amerindian Program is a subcomponent of the regular SIMAP program that uses simplified procedures, while *Nuestras Raíces* is one of various programs managed under the general umbrella of FHIS, although it has radically different procedures from the regular projects.

An alternative is to have the fund managed by the agency responsible for indigenous affairs. In Mexico, the National Indigenous Institute (INI) managed the *Fondos Regionales* program with funds from the National Program of Solidarity (PRONASOL). In Argentina, the *Componente de Atención a la Población Indígena* (CAPI), part of the IDB-financed Project for Vulnerable Groups, is managed by the National Institute for Indigenous Affairs (INAI), and works through provincial indigenous NGO selected by representatives of the indigenous communities. This structure is designed to ensure that the program's resources are channeled to the indigenous communities, with as little interference as possible from intermediaries such as local politicians or missionaries.

A shallow institutional structure and simplified procedures are essential to the existing funds for indigenous people. The funds have to respond quickly and directly to gain the confidence of the beneficiaries, and to prevent resources from being diverted away from the poorest and less politically influential communities. This

can generate some tensions with the local political or administrative structures. The indigenous federations that play a leading role in *Nuestras Raíces* are a parallel structure to the municipalities, through which the regular FHS programs are channeled. The federations work closely with the municipalities in some areas, but in others the relationship can be tense. However, this is to some extent mitigated by the fact that the program operates for short periods rather than offering a constant flow of resources. In Guyana social exclusion is less of an issue, and the SIMAP Amerindian Program is integrated into the local administrative structure. The Community Development Officers (CDO) who promote and supervise the program are part of the regional administration.

As with all social investment funds, the indigenous programs need to articulate with the line agencies responsible for areas such as education, health and public works. The SIMAP Amerindian Program is able to coordinate effectively at the local and regional level because it is integrated into local administrative structures. In Honduras coordination is less of an issue because virtually all investment is in the repair of minor access roads, but if the menu of projects were widened *Nuestras Raíces* would be able to draw on the experience of other FHS programs. In Argentina, where there is a wider range of federal and provincial agencies, the Program for Vulnerable Groups/CAPI sees articulation as an objective rather than a procedural issue. In this program, one of the principal aims is to develop the ability of local and provincial indigenous organizations to access resources and coordinate with other programs and agencies.

One of the most important procedural issues is the need to simplify the tendering of works, or better, to avoid tendering altogether. The experience of *Nuestras Raíces* provides a clear demonstration of the opportunities that arise when beneficiaries are directly paid for their labor. In Guyana some of the most interesting subprojects have provided training in construction skills, along with a stipend for the trainees, who develop their skills building community infrastructure. The quality of the

work is as good or better than work carried out by contractors, because there is no incentive for the overseer or workers to cut costs by using inferior materials. This system allows most of the financing to remain in the community, and helps develop marketable skills that, at the very least, will ensure that the infrastructure can be adequately maintained. The main disadvantage of these systems is that they require more supervision, which unfortunately is interpreted as a high administration cost in relation to investment. The accounting is also more complex, making the presentation of expenses more difficult. This is an area where the multilateral agencies need to be proactive, if necessary modifying their procedures in order to facilitate project administration.

Sustainability and Costs

The funds for indigenous people face many of the same issues as other social investment funds. The sustainability of the subprojects depends on the quality of project design, supervision, and the use of appropriate technology that allows for easy operation and/or maintenance. These are familiar issues, but are not always addressed adequately by the programs described in the case studies. This is partly due to the high costs involved in project supervision, overambitious goals for disbursement (for which the lending agencies are largely responsible), and the need to avoid creating additional bureaucracy and unnecessary procedures.

With the indigenous funds, the most critical issue is the sustainability of the local and regional indigenous institutions. The administration of the projects, particularly the more complex training, credit or productive projects, requires a certain level of support to help the local organizations consolidate and overcome the problems that inevitably arise as projects are implemented. There is a delicate balance that has to be drawn between “supervision” and the need for self-determination. The experiences of *Nuestras Raíces* and the first projects carried out by CAPI in Argentina suggest that one of the most effective ways of achieving this is working closely with competent

indigenous NGO. Unfortunately, professional indigenous NGO (as opposed to representative organizations) have not yet developed throughout Latin America. In fact, this is another reflection of the problems indigenous people face in trying to achieve more active participation in national life.

The available information does not allow a comparison of the operating costs of the projects covered by the case studies, or a comparison with the regular social investment funds. In general, one would expect the operating costs of a social investment fund for indigenous people to be higher, not only because of the high transport costs and dispersion of the population, but more importantly, because of the need for a more time-consuming participatory approach. In fact, in the case of Honduras, the operating costs of *Nuestras Raíces*, are relatively low, because field workers are hired on a temporary basis for each two or three month phase of disbursement, while much of the “cost” of supervising the *cajas rurales* is assumed by the indigenous federations, mainly on a voluntary basis.

In Guyana, the operating costs (particularly the staffing) of the SIMAP Amerindian Program present something of a bottleneck. While the quality of projects is generally very high, the shortage of professional staff has made it difficult for the program to keep up with disbursement targets. Indeed, this provides a perverse incentive to concentrate on higher-cost infrastructure projects, rather than on the very low-cost, and often very effective training or minor community infrastructure projects. Ideally, the process of project identification, local institutional development and project supervision should be interpreted as a training function, that is to say, as part of the investment, rather than as an overhead.

Conclusions

There is no doubt that social investment funds, particularly the funds that have been established specifically for indigenous people, have had an impact on indigenous communities. They have not, and probably never will resolve the poverty of most indigenous communities in Latin America, but they have raised standards of living through the provision of basic infrastructure, training and some, still rather incipient productive projects. At the same time, they have provided a focus for the development and consolidation of local and regional indigenous organizations. In the medium term, this is the most significant achievement, because it opens the way for the reformulation of social and economic relations between indigenous people and the rest of the national society.

This has not always been an easy process. Programs for indigenous people have to deal directly with the beneficiaries, using simple, direct procedures that delegate as much responsibility as possible to the local level. This may conflict with government and bank procedures, and requires a political commitment to encouraging greater self-determination. In the initial stages, as indigenous people find their voice, there may be confrontation. Marginal, exploited groups lack social graces and diplomatic language. The rhetoric may sound harsh, but change can only come about through dialogue. To achieve this, indigenous people must be allowed, and indeed supported, to develop institutions that allow them to deal with the rest of the national society on equal terms. This requires patience, understanding and, above all, the will to overcome the injustice and exclusion that has kept them on the margins of the societies in which they live.

Table 1. Comparison Between Social Investment Projects with Indigenous Peoples in Guyana and Honduras

SIMAP Amerindian Project, Guyana	<i>Nuestras Raíces</i>, Honduras
<p>Project Portfolio</p> <p>Community Infrastructure: schools, preschool nurseries, community centers, health centers, jetties, bridges, access roads. Transport: boats and outboard motors. Training: brick-making, construction, sewing and tailoring Productive projects: agriculture, livestock, sewing</p>	<p>Virtually all the investment is in construction and/or repair of access roads.</p>
<p>Methodology</p> <p>Similar to regular SIMAP, with simplified identification, approval and tendering procedures. Some projects combine training and construction, with the trainees and other community workers being paid directly. Present maximum limit of US\$40,000 per project (above this limit the projects are referred to the regular SIMAP program).</p>	<p>The methodology is completely different to regular FHIS projects. Disbursements are made in short phases of activity, with a large number of staff on short-term contracts. Much of the groundwork is done by indigenous federations and confederations. The project provides a minimum wage for 15 days, the community provides all the tools and materials.</p>
<p>Staffing and Coordination</p> <p>Core staff of 3 people at the program’s headquarters. 17 CDO promote and supervise the program in the field. The CDO are part of the local government administration, and coordinate with local line agencies and regional authorities. Line agencies or the Regional Executive Officer must assume the responsibility for operation and maintenance of infrastructure.</p>	<p>Core staff of 4, plus the Director of Social Development. During the project’s phases of activity up to 300 promoters (<i>enlaces FHIS</i>) are trained and taken on 3-month contracts. A similar number of indigenous promoters (<i>enlaces étnicos</i>) are trained and taken on 2-month contracts. The indigenous promoters are selected by the indigenous federations. There is some coordination with municipal authorities.</p>
<p>Local Counterparts</p> <p>The project works with a range of formal and informal local organizations, including Regional or Local Democratic Councils, Amerindian Councils, Community Teacher Associations and Producers’ Associations. The beneficiaries must provide at least 10 percent counterpart contribution, usually in labor or materials.</p>	<p>The project works directly with indigenous federations and confederations. At local level, part of the wages provided by the project (typically 50 percent) is put into an informal savings and loan scheme (<i>caja rural</i>) managed by the beneficiaries. In some cases a small amount is put into a municipal level savings and loan scheme (<i>caja municipal</i>).</p>
<p>Main Issues</p> <p>Promotion and supervision of projects is labor intensive. Shortage of technical and administrative staff has meant the project is behind schedule on disbursement.</p>	<p>The quality of works is not consistent. The project and the indigenous federations need to improve the coverage of promotion activities relating to the <i>cajas rurales</i> (this is presently under discussion).</p>

II. SIMAP AMERINDIAN PROGRAM IN GUYANA

Guyana's Social Impact Amelioration Program (SIMAP) was the first IDB-financed social investment fund to include a specific component for indigenous peoples. This is a good example of an independent indigenous program that has been able to work within the institutional structure of a national social investment fund.⁸ It has been able to develop a range of small projects in isolated communities, using a participatory methodology and flexible procedures for project preparation and implementation. The projects include training and productive activities, such as brick making, sewing and tailoring; transport projects, and community infrastructure projects, such as schools, community centers, health posts, jetties, access roads and bridges. While these projects are not intended as a comprehensive solution to the poverty found in most Amerindian communities, they have often achieved significant improvements in the provision of basic services and standards of living.

The Amerindian Program currently has a permanent staff of three: a coordinator and two civil engineers, who are based in the SIMAP office in Georgetown. Three additional engineers, who worked on a part-time basis, were expected to become permanent staff of the program from February 2000. In the field, the program is promoted by 17 CDO, who devote a significant part of their time to the program.

The program manages its own investment funds, and was started in 1994 with the release of US\$200,000 for 20 pilot projects of up to US\$10,000 each. An independent evaluation in

1995 recommended additional funding, and in 1996 a further US\$300,000 was approved, with the ceiling for individual projects raised to US\$20,000 each. The Board of the IDB approved a second loan for SIMAP in November 1996, with US\$2.7 million of the US\$17 million earmarked for the Amerindian Program. In 1999 the ceiling for the individual projects in the program was raised to US\$40,000. The program enjoys a close proactive working relationship with the IDB country office in Guyana.

Background

The Amerindian population of Guyana is estimated at 50,000, and represents around 6 percent of the country's total population. Most Amerindians live in the remote, sparsely populated hinterland of Guyana, while the rest of the population, comprising mainly Afro-Guyanese and East Asians, is concentrated in the coastal strip and along the Demerara and Berbice rivers. The indigenous population includes nine ethnic groups: the Akawaio, Warao, Arawak, Carib, Wapishana, Arecuna, Macushi, Patamona, and Wai Wai. Some Amerindian communities have considerable intermixture with Afro-Guyanese, East Asians and Portuguese.

Most Amerindians are marginally integrated into the national market economy, and rely on slash-and-burn agriculture, fishing and hunting for their subsistence. There is little pressure on the land, which in most areas is technically leased from the State rather than being titled to the communities. The largest Amerindian communities, such as Moruca (12,000 inhabitants) and Paramakatoi (4,000 inhabitants) were originally mission stations that provided schooling, health services, and some employment. Since Guyana became independent in 1966 most of the schools and health services have been taken over by the

⁸ In Guyana, the term "Amerindian" is used to avoid confusion between the indigenous inhabitants of the country and "East Asians," Guyanese of Indian origin, who originally came to the country as indentured laborers and now comprise over half the country's population.

State, and nowadays the missionaries appear to have little direct involvement in the day-to-day affairs of the Amerindian communities.

There are few opportunities for employment in the hinterland of Guyana, and the principal source of cash income is small-scale gold and diamond mining in the remote interior, known as “pork knocking” because of the monotonous diet of pork and beans. Mining is usually organized by traders, typically outsiders, who provide the supplies and equipment, and who have the contacts to market the gold or diamonds. In remote areas the traders are the only source of commercially manufactured goods and foodstuffs, and in localities, such as Kato, where virtually all the goods have to be flown in on light aircraft, prices can be 300-500 percent higher than in Georgetown.

The only other sources of cash income are employment in the logging industry, some sale of forest products (including hearts of palm, live animals and birds), and work for the government. The salaries of teachers, nurses and other government employees, such as the CDO probably represents a significant proportion of the cash income of some communities. In Kato, the administrative center of North Pakaraimas, a subregion of Potaro-Siparuni (Region 8), a community of just over 400 inhabitants, there are five teachers, a nurse, two nursing auxiliaries, a malaria control officer, a medical auxiliary, and a CDO, all Amerindians. It has been noted that no outsider would be willing to work for a government salary in Kato, because the cost of living is much higher than in Georgetown or on the coast.

Most Amerindian communities have an administrative system based on an Amerindian village council, led by an elected “Captain” or “Toushao.” Some of the less traditional, more mixed-race communities are, however, organized as Community Democratic Councils (CDC) or Neighborhood Democratic Councils (NDC)—which comprise various CDC. The

largest Amerindian communities, such as Moruca, are the administrative equivalents of a subregion, and have a civil servant—a subregional Chief Executive Officer assigned to work with the Captain and the village council. In addition, at the regional (and sometime subregional level) there is a CDO who is responsible for SIMAP and some other government programs, such as the World Food Program’s (WFP) food-for-work projects. Although the members of the Amerindian village councils may have some involvement in party politics, party-political factionalism is less marked in Amerindian communities than it is in other rural communities in Guyana.

There is no official national organization of Amerindian peoples in Guyana, although many Toushaos have been involved in national conferences. There are three indigenous organizations in the country: the Amerindian Peoples Association (APA), the Guyanese Organization of Indigenous People (GOIP), and the Amerindian Action Movement of Guyana (TAAMOG). APA has been demanding a chapter on Amerindian rights in the Constitution, and has campaigned for the formal recognition of Amerindian land claims and the right to self-government within the framework of the Guyanese State. APA is also concerned about prohibitions on hunting and extractive forest activities in Guyana’s national parks, most of which have been established in areas traditionally used or occupied by Amerindians. Other outstanding issues relate to forestry and mining concessions that have been granted without consulting the Amerindian population. Some of the lumber companies refuse access to their concessions, while mining has led to the pollution of major rivers, as for instance when spills from the Omai gold mines contaminated the Upper Essequibo. The Government of Guyana is also negotiating a proposal that would cede over 100,000 acres of forest and mangrove in Northwest Guyana to Beal Aerospace for a satellite launching site and buffer zone.

Targeting and the Selection of Beneficiaries

The definition of the potential beneficiaries of the SIMAP Amerindian Program is simple. The regulations state that “the population must be made up *primarily* of Amerindians and not less than 250 persons” (my italics). There is little concern to define who is or is not Amerindian, and it was clear from the field visits that many of the beneficiary communities were racially mixed. This was particularly true of less remote communities, such as Kumaka and Jacklow. The lack of any precise definition is sensible given the political reality of Guyana, where ethnic tension (above all between the East Asians and Afro-Guyanese) often underlies the official discourse of national unity. Moreover, many Amerindian communities have lost their language and many aspects of their traditional culture due to missionary influence and inter-marriage, and are not easily distinguished from the rest of the population of the interior.

There can be marked differences in the degree of integration between Amerindian communities, even in the same area. The Aruka Mouth school project, for instance, serves both a mixed race, English-speaking population who live along the main Aruka and Barima rivers, as well as a more isolated Warao village situated on Soomootoo creek, a mile from the Barima river. Most of the Warao women speak little English, and their children had not attended school before the new school was constructed. The Warao are hardly integrated into the regional economy and have difficulty finding the cash to pay for the school uniforms. They live almost exclusively from fishing and hunting, and trade or barter with their neighbors for cassava bread.

Amerindian communities can be, and indeed often are, beneficiaries of “regular” SIMAP projects that cost more than the present US\$40,000 ceiling. In fact, it is fairly common for the Amerindian Program to identify, and even initially prepare projects for the “regular”

SIMAP program. In these cases, however, the selection criteria and procedures are the same as for any other SIMAP project. This, and the lack of any clear definition of what constitutes an Amerindian community, suggests that social exclusion is less of an issue in Guyana than in many other countries in South America. Rather, the aim of the program is to address the isolation, lack of access to services, and informal community organization that is typical of the small, remote communities of the interior.

Projects do not necessarily have to be requested by the entire community. Most are put forward by village councils, local democratic councils or community teacher associations, but NGO and other local organizations can also apply, although the village council has to be informed, and the project has to be approved by the Regional Executive Officer. The Morcupha Sewing Group, for instance, is an informal association that includes men and women from three villages in the Moruca area: Mora, Curiapito and Phasanale, who were interested in learning tailoring and sewing.

There is no specific poverty targeting within the Amerindian Program. It would seem that this reflects the fact that all Amerindian communities in Guyana qualify as potential beneficiaries on the grounds of poverty. Indeed, the evaluation of the first phase of the project notes that according to the Household Income and Expenditure Survey, 80 percent of Amerindians fall into the poorest quintile of the country’s population. The Project Reports (proposal documents) include a brief summary of the socioeconomic characteristics of the beneficiary community, some of which include an estimate of average monthly income. It is not clear how this is calculated (possibly from the wage rates for unskilled laborers) but estimates typically range from G\$8-15,000 (US\$45-85) per month. The higher estimates correspond to the more economically dynamic areas, such as the Pomeroun River, and the lowest to remote areas, such as Kato and Paramakatoi, where the cost of living is also much higher.

The Amerindian Program does try to maintain a regional balance, and has deliberately targeted the more remote regions, such as the Pakaraimas and Rupununi in the south of Guyana (Regions 8 and 9), even though this implies higher project preparation costs. In fact, the overall distribution of projects in both phases of the program appears to reflect the general distribution of the Amerindian population in Guyana.

Although the selection of the communities and projects could be described as “first-come first-served,” the reality is more complex. There is an implicit strategy of building on successful projects, with new, more complex projects being financed in communities that have successfully completed an initial project. Communities such as Mora and Jacklow that were beneficiaries of simple infrastructure projects in the pilot program are now involved in other types of projects. During the pilot program the community of Mora worked on construction of a multipurpose center, and Mora and the two neighboring villages are now involved in a sewing project that combines training and some commercial activities. Communities, such as Kumaka, that fail to complete a first project cannot apply for further projects until the initial project is completed.

This is a coherent strategy, and tends to favor the more social and economically homogeneous, medium-sized communities. The smallest, most dispersed populations are excluded from the program. Many small communities are little more than extended families, with insufficient population to justify the cost of schools or health posts. Moreover, the smaller the population the more difficult it becomes to distinguish between personal and community assets. The larger, more heterogeneous populations are usually more difficult to organize. The wealthier families are unwilling to engage in voluntary labor, and factionalism or political rivalry may make it difficult to organize community contributions.

Selection and Eligibility of Projects

The selection of projects appears to be determined more by the suitability of the beneficiaries, than by the nature of the projects themselves, although all projects have to comply with the basic eligibility criteria of the program. These are firstly, that the contribution of the Amerindian Program must be less than the maximum threshold, presently at US\$40,000. If the total cost is more than this figure, the project can still be presented as a “regular” SIMAP project. Second, the community has to provide a counterpart contribution equivalent to at least 10 percent of the total cost, excluding transport. This usually takes the form of labor and/or materials. Finally, the project must be sustainable. This requires a plan for operation or maintenance, or a letter from the Regional Executive Officer indicating the regional administration’s commitment to maintain the buildings. In the case of schools and health posts, the relevant ministry also has to confirm that the school or health post is a priority, and must agree to provide the necessary staff and equipment.

There is no predetermined menu of projects, and a local organization or association can present any project that complies with the basic eligibility criteria. The program’s explanatory leaflet notes that projects can include infrastructure, transportation, and productive projects. Infrastructure projects would include the rehabilitation, extension or construction of schools, community centers, health centers, bridges, jetties, wells and water supply systems. Transport projects generally involve the provision of boats and outboard motors for taking children to school or produce to market. Productive projects include activities such as furniture making, food processing, agriculture, fishing, or sewing and tailoring. The program can finance equipment, materials and technical assistance, but the communities must provide the labor for productive projects, and must demonstrate that the project will be sustainable.

Project Portfolio

An examination of the portfolio of the Amerindian Program (Table 2) shows that projects conform to a fairly conventional social investment fund menu. In general, infrastructure projects account for 78 percent (69) of the total, with investments in school infrastructure representing 48 percent (42) of all projects. Productive projects, including the school furniture project and the brick-making project in Kato, account for only 19 percent (17) .

There are various reasons for this. In the first place, the selection procedures favor infrastructure projects. Projects respond to beneficiaries' perceived needs: indeed, the program leaflet notes that projects must address the community's most urgent need. In practice, though, the tendency is for beneficiaries to select projects from a familiar menu, choosing simple solutions to community problems, rather than more socially and/or technically complex projects. In Amerindian communities in Guyana, as in isolated rural communities throughout the world, most people would agree that the main priority is opportunities to generate income. Unfortunately, there are no easy solutions, as the shortage of capital or productive equipment is only one aspect of the problem. To succeed, a productive project has

to address issues of transport, storage, marketing, and has to develop the community's technical and organizational capacity.

Fewer agricultural projects have been approved during the second loan, suggesting that they have not been particularly successful. High transport costs and the difficulties of marketing produce are partly responsible, but it is also necessary to appreciate the difficulties of trying to implement community-based productive projects in societies where productive activities are normally carried out at the household level. The organization of productive activities becomes much more complex if the objective is to generate income or goods that eventually have to be shared out. A project of this kind requires a system of accounting that can record the labor and inputs provided by individuals and the expenses of the enterprise, and can divide the benefits fairly—and be seen to do so. The accounting system should also take into consideration maintenance costs, as well as the eventual replacement of productive assets. Community-based productive projects usually require a significant input of organizational and administrative training, in addition to any technical training or extension that is offered. At present, this is not being written into projects, and is usually the responsibility of the CDO or staff of the Amerindian Program.

Table 2. Projects, by Sector (to 11/99)

Sector	1st Loan (912)	2nd Loan (985)	Total to Date
Schools*	17	25	42
Health Posts**	4	3	7
Community Center	3	6	9
Other Infrastructure#	5	6	11
Agriculture	5	3	8
Sewing Groups	3	4	7
Others##	1	3	4
Total	38	50	88

* Rehabilitation and construction of nursery schools, primary schools, secondary schools, dormitories and housing for teachers.

** Includes a project in Kato that combines brick making/training and the construction of a health post.

Bridges, roads, jetties, wells, sanitary facilities.

One unidentified (912), one transportation project (boat and outboard), one library, one school furniture construction project.

The Project Cycle

The Amerindian Program's project cycle is a simplified version of the SIMAP procedures, and has been developed to minimize the time and costs of project preparation. This is important to maintain the community's commitment and to keep travel costs down.

The Amerindian Program is promoted by the CDO, as well as through leaflets and radio programs. At one stage the program deliberately targeted the most remote regions, but it is now sufficiently well known that the demand for projects exceeds the program's capacity to prepare and supervise them. The CDO and the village council or community association prepare the initial project on a standardized application form. This is a simple six-page form that provides basic information about the community, the organization and the proposed project. Once the application is received, it is registered and ranked. The selection committee meets regularly and projects are selected on a first-come first-served basis, providing they satisfy the program's eligibility criteria. The geographical spread of projects in the various regions of the country is also taken into consideration. Once the project is selected, a visit is scheduled to meet with the community and determine the project's priority. Once this is established, data is obtained to prepare the project profile to be submitted to SIMAP's project review committee, SIMAP's Board, and the Bank.

The Program Coordinator or Engineer usually makes only one site visit during project preparation, and often combines appraisal missions to nearby communities to justify the cost of the airfares. Appraisal involves the review of information from the application form, collection of additional information about the community and the project, and discussion of the counterpart arrangements. The Coordinator or Engineer usually signs an agreement with representatives of the community, defining the contributions that would be expected from them and SIMAP. The appraisal provides the basis for the Project Report that is presented to the

Board of SIMAP for approval. The Project Report is a six-to-ten-page document that describes the project, covering costs, objectives, justification, community profile, employment, operation and maintenance, environmental impact and counterpart funding. Additional details, such as bills of quantity and cost estimates, are included as annexes.

The Board meets on a monthly basis, and once a project has been approved it is passed to the Bank for no-objection, and when this has been agreed, a formal contract is drawn up between SIMAP and the community. This defines the respective responsibilities of SIMAP and the community, the structure of the project management committee, and arrangements for reporting, monitoring, operation and maintenance. Once the contract has been signed, any tenders are prepared and the project is initiated. Regular supervision is the responsibility of the CDO, although the Coordinator and/or the Engineers make at least two site visits during project execution.

Project Targets

Under the present loan (985) the Amerindian Program was originally expected to approve 180 projects over three years, for a total value of US\$2,700,000.⁹ This level of approval and disbursement has proved to be unrealistic, given the fact that there are only three full-time staff dedicated to the program. At present they are directly responsible for project identification, selection, preparation and supervision, and have to carry out much of the day-to-day administration of the program, reviewing tenders and bills of quantity, purchasing and shipping minor items, and so on. These details are tremendously important. Indeed, the community's commitment and the success or failure of a project, may depend on the timely provision of these small, but vital inputs.

⁹ The proposed breakdown was Year 1: 48 projects (US\$720,000), Year 2: 60 projects (US\$900,000), and Year 3: 72 projects (US\$1,080,000).

One solution would be to increase the number of full-time staff devoted to the program, including, at the very least a competent administrator to manage the day-to-day procurement and shipping issues. In addition, it may be worth trying to identify ways to improve the program's presence at the regional level. The effectiveness of the CDO varies greatly, and they divide their time between various programs. One alternative would be to assign some of the CDO exclusively to the Amerindian Program (including "regular" SIMAP projects in Amerindian communities), and to provide training workshops that would allow them the opportunity to discuss and evaluate their experiences and learn from each other.

Impact of the Amerindian Program

The evaluation of a social fund for remote Amerindian communities should focus on the overall impact of the program rather than on the achievement of targets and disbursements. Overheads are inevitably much higher, not only because of the isolation and dispersion of the beneficiaries, but also because of the need to develop organizational and administrative capacity at the local level. In fact, capacity building is just as important as the tangible benefits provided by renovated schools, health posts or new community centers.¹⁰

In terms of physical goals, the program has a good record of project completion, with less than 10 percent of projects taking more than a year to complete. This in itself says something about the program's ability to mobilize the beneficiaries, given that all the projects require a significant counterpart contribution of labor and/or raw materials. In the building projects the work is generally of a high standard, demonstrating that the simplified tendering procedures that allow the community to directly

select the contractors are as, or more effective than the regular SIMAP procedures that require at least three bids from pre-qualified contractors. Some of the other infrastructure projects, including the roads and bridges, would, however, have benefited from better design. This should improve now that more civil engineers have been assigned to the program.

There may also be scope for the introduction of improved or "appropriate" technology in some of the productive/training projects. In the Kato brick making project, for instance, it would have been interesting to experiment with compressed block techniques to improve the durability of the bricks and reduce the demand for firewood. The identification and introduction of new technology would require an additional commitment on the part of the already over-stretched program staff. One alternative would be to request technical assistance from one of the bilateral agencies or international NGO that have experience of alternative technology for small projects.

The projects for renovation, extension, and construction of new school buildings undoubtedly have a significant impact on the quality of teaching, as do school related projects, such as dormitories for secondary students, and teachers' housing. The nursery, primary and secondary schools that were visited had a committed and reasonably qualified staff, and were adequately furnished—in some cases the school furniture was part of the project. The main deficiency was the shortage of texts and teaching aids. The relevance of the health posts and multi-use centers is not so clear. The health posts are adequately staffed, but the uptake of services is poor, and there is frequently a shortage of basic medicines and other materials. In fact, in many Amerindian communities environmental health issues, including water supply, sanitation, drainage and malaria control, seem to be more critical than the provision of health care services. The multi-use community centers provide a focus for community activities. In Mora, for example, the sewing group is based in the center; in other communities, village

¹⁰ One of the goals of the logical framework for the SIMAP II Project is to "increase the capability of low-income communities to identify, articulate, and address their priority needs."

councils and other local associations use the centers for meetings and cultural events, such as festivals and dances.

The infrastructure projects do not generate much direct employment. The contractors' main demand is for skilled labor, and the community provides most of the unskilled labor as a counterpart contribution. Contractors usually employ some local labor, a typical school construction project, for example, may provide a few months work for three or four men. A more interesting alternative is the approach taken in the Kato brick making and health post project, where the program has contracted trainers to teach brick making and construction skills to members of the local community. The trainees were paid a small allowance, and built a community health post as part of the training. This type of project has a greater impact than the standard infrastructure projects, and is probably cheaper than working with contractors. The disadvantage is that it demands a greater input from program staff, and has higher administrative costs. It would be worth looking for ways to internalize some of the administrative costs of this type of project in project budgets rather than in SIMAP's overhead.

The physical isolation of most Amerindian communities makes it difficult to design sustainable productive projects that can offer full-time employment. The most successful productive projects are those that have provided goods or services that can be used by the beneficiaries themselves, or for which there is local demand. The sewing and tailoring projects have been replicated in a number of communities. These are low-cost projects (US\$3,000) that provide groups of men and women with training, sewing machines and other basic equipment. The community provides the workplace, materials and labor. The sewing groups produce school uniforms and other clothing at prices that compare favorably with shop-bought items. Once trained, the members of the sewing groups can work independently or set up a commercial enterprise. The sewing groups do not really provide full-time employment for all their members,

but they do generate income in communities where there is little employment for either men or women. They also reduce the cost of essential goods, and help develop the beneficiaries' self-esteem and organizational capacity.

It is difficult to measure the more intangible capacity-building achievements of the program. In some communities, such as Mora and Jacklow, the successful implementation of simple pilot projects has increased the community's confidence, and has led to more ambitious projects. In other communities—Kato is perhaps one example—the projects may have encouraged the development of alternative structures of authority, accentuating divisions that already existed within the community. In these cases it is sometimes hard to separate cause and effect. Small participatory projects are usually successful in well-organized communities, and are difficult to implement and can intensify conflicts in communities that are already divided. In general, however, the projects have provided a focus for community-based organizations, and have encouraged the development of organizational, administrative and technical skills.

The program's participatory methodology is critical, and redefines the relation between the Amerindian communities and government. In contrast to the traditional situation, where decisions are taken in Georgetown and applied in rural areas, the program makes local-level decisions a pre-condition for any project. To begin with, the beneficiaries must organize a management committee to coordinate with SIMAP and oversee the project. In addition, the program requires the project to address the community's priority needs. This means that the beneficiaries must analyze their situation, identify their needs and propose realistic solutions that can be achieved through a social investment project. Finally, the project requires a significant counterpart contribution from the community. This is critical for local institutional development, as it demands commitment and obliges the community to mobilize its labor and other resources.

Table 3. Comparison of the Amerindian Program and SIMAP II

Amerindian Program	SIMAP II*
<p>Activities Financed</p> <p>Small infrastructure: schools, community centers, health posts, bridges, jetties. Transport: boats and outboard motors. Training: brick making, tailoring. Productive projects. Up to a maximum of US\$40,000.</p>	<p>Basic infrastructure: schools, day care centers, health posts, water supply systems, roads, bridges. Average cost of US\$70,000. Emergency program US\$5,000. Nutritional/technical training program</p>
<p>Project Inputs</p> <p>The program provides materials, transport and skilled labor up to 90 percent of total cost. The community has to contribute equivalent of at least 10 percent of total cost (less transport), usually as labor or materials.</p>	<p>Materials, transport, and labor. Some counterpart contributions are now required.</p>
<p>Staffing and Procedures</p> <p>3 full-time staff. Projects promoted and supervised by COD and project staff. Selection on basis of regional spread, and previous successes. Simplified tendering procedures (3 bids) and use of direct contracts.</p>	<p>38+ staff. Project Development Department promotes the program with the COD. Projects selected in accordance with the poverty ranking of the community. Projects are subject to competitive bidding and are implemented by contractors.</p>
<p>Issues</p> <p>Difficulty of achieving the coverage and levels of disbursement originally envisaged. Staffing is a bottleneck.</p>	<p>The first phase of the program was characterized by a lack of community involvement in the projects. Operation and maintenance not always adequate.</p>

* Based on the IDB Loan Proposal, October 1996.

The Issue of Counterpart Contributions

The requirement for counterpart contributions has been criticized in some discussions of social investment funds.¹¹ It has been described as “a tax on the poor”—in the sense that the poor have to pay, in labor or kind, for services that the State would normally assume. It is argued that social investment funds would have a greater direct impact on poverty if beneficiaries were paid for their labor, and that the burden of counterpart contributions falls most heavily on

women and the poorest people in the community. These arguments are sometimes heard in Amerindian communities, typically as a comment on the way various governments over the last thirty years have relied on the rhetoric of “self-help” to cover increasing deficiencies in the provision of public services.

In some of the projects the burden of counterpart contributions is mitigated by the provision of supplies from the WFP’s food-for-work projects. WFP rations are a suitable substitute for payment, as earnings tend to be spent on the same or similar items. But, they do pose a logistic problem. The program has to pay the transport costs, which may be higher than the value of the food itself. In addition, it is not easy to

¹¹ For example, *Social Investment Funds in Latin America: Past Performance and Future Role*, by Goodman, Morley, Siri and Zuckerman, IDB 1997, page 67.

coordinate the supply of WFP foodstuffs with the requirements of specific projects. Ideally, rations should be provided once certain project targets are met—for instance, once building materials have been assembled on site, but this is not always possible, and in some cases WFP support has come to an end before a project has been completed.

It would probably be counterproductive to pay beneficiaries for their labor. Payment would provide an incentive for unnecessary projects, and would create unrealistic expectations about the capacity of government to resolve the poverty of most Amerindian communities. Although SIMAP is a “Social Impact Amelioration Program,” the Amerindian component is not really designed to address issues of adjustment, but rather a situation of structural poverty. In Amerindian communities, poverty is typically the result of isolation, lack of economic opportunities, and a low level of basic services or service infrastructure. It is unlikely that short-term subsidies would have any significant effect on the underlying causes of poverty. In fact, it is likely that any additional income would be used for consumer spending, benefiting local traders rather than the Amerindian population.¹²

The question of equity is more difficult. It is hard to tell who is providing the bulk of the labor and materials. Anecdotal evidence suggests that the core members of the management committees—many of whom are women, willingly make the most effort to provide counterpart contributions. The organization is usually informal, and at times reflects the internal, often kinship-based politics of the local community. There is little evidence that anyone is being systematically exploited, although it is apparent that in those communities where there are significant disparities in wealth, such as

¹² The case study of *Nuestras Raíces*, Honduras shows that payment for labor can provide an opportunity to set up locally managed self-help funds. However, these funds have been most successful in the regions that have already received years of organizational training from NGO and indigenous federations.

Kumaka, the better-off households are less willing to provide unpaid labor.

Coordination

The program appears to have achieved an effective coordination with most national and local government agencies. This has been facilitated by procedures that require local and regional government approval at early stages in the project cycle, as well as an organizational structure that relies on CDO, who are effectively part of the regional or subregional government. As a result, most of the infrastructure projects, particularly the schools and health posts, conform to the priorities of local line-agencies.

At present there is little attempt to coordinate with local or national NGO. During the pilot phase of the program, five NGO were pre-qualified and contracted for the identification and preparation of projects, but the experience was not replicated in later phases.¹³ Project preparation by NGO was found to be slower and more costly than using SIMAP staff, and the quality of the project proposals varied considerably. Two volunteer organizations, Raleigh International and Youth Challenge International, were directly involved in implementation of some projects, but the experience was not particularly successful. The volunteers lacked the necessary skills, and had no experience of procurement, with the result that buildings were constructed using overpriced, and poor quality materials.

Conclusions and Recommendations

The SIMAP Amerindian program has been successful in implementing small infrastructure and productive/training projects in remote

¹³ These were the Amerindian Research Unit of the University of Guyana, the Community Based Rehabilitation Program, the Guyana Organization of Indigenous Peoples, Red Thread Women’s Collective and the Beacon Foundation.

Amerindian communities where the presence of government line agencies has previously been very limited. The participatory methodology of the program encourages the development of local institutions, and allows projects to reflect some of the cultural and institutional characteristics of the Amerindian communities.

The coverage of the program, however, is not in line with the original targets, due above all to the lack of staff. The program targets are over-ambitious, given that a program of this kind is staff intensive, not only because of the logistical difficulties of working in remote Amerindian communities, but also because of the need to continually monitor and support the development of incipient local organizations. If the program were to improve its coverage, additional staff would have to be contracted, particularly to help with day-to-day administration. Some additional training would also have to be provided to improve the effectiveness of the CDO.

The CDO are critical to the success or failure of projects. They need to have a clear understanding of their role, and should be prepared to assess and support the more organizationally complex productive projects. In the short-term the recommendation would be to organize a workshop for all the CDO to review their program role, share experiences and identify areas for improvement. At a later stage it would be useful to hold regular workshops with all

CDO, possibly every six months, to consider the objectives, goals and experiences of the program.

The technical quality of projects appears to have improved since qualified civil engineers were brought into the program. Quality control should be maintained, and attempts should be made to introduce “appropriate” or “alternative” technology into the program. This kind of technology can often provide effective low-cost solutions to the problems faced by remote and isolated communities. The suggestion would be to seek technical assistance from one of the bilateral agencies or international NGO.

The greatest challenge is to increase the proportion of training and productive projects in the program’s portfolio. This is not an easy task, given the problems of transport and marketing, and the incipient nature of local organizations. It is essential, however, if the program is to truly address the issue of poverty in Guyana’s Amerindian communities. To develop these projects, the program needs to have sufficient, well-trained staff who can accompany the process of local capacity building. This is essentially organizational and administrative training for the communities, and needs to be viewed as an “input” rather than as an administrative “overhead.” It may be possible for SIMAP and the Bank to find ways to absorb the cost of this training within project costs rather than within SIMAP’s administrative budget.

III. NUESTRAS RAICES PROGRAM IN HONDURAS

Nuestras Raíces—the ethnic program of the Honduran Social Investment Fund (FHIS) has a very different focus to other social investment programs as well as the other FHIS programs.¹⁴ The investments are limited primarily to the opening and/or rehabilitation of access roads. The program makes disbursements in short phases of two or three months, and has a wide coverage. The people who work receive 15 days salary for their labor, and deposit part of the money (typically 50 percent) in local funds or *cajas rurales*. The *cajas rurales* are savings and loan schemes that finance small personal loans to the members and/or to social projects. The program is implemented in close coordination with the ethnic federations, focusing on participation and strengthening of local organizational capacity. The program procedures are simple, and although this is reflected negatively in a lack of supervision, the structure of the program allows resources to reach communities directly with a minimum of bureaucracy.

Background

The *Nuestras Raíces* program emerged in 1994 as a response to the historic and social demands of the indigenous population, expressed in protest marches to the capital and the occupation of public buildings. Given that a rapid and effective response was needed, the program was established within FHIS, which is directly connected to the Presidency and is one of the most efficient public institutions in Honduras.

The initial program was financed by the Honduran government. World Bank financing began in 1995, and the IDB participated in the third phase of the program with a US\$1

million loan (FHIS III HO-0131). Currently, the program has no investment funds and it is awaiting approval of a new loan from the IDB—FHIS IV, which is at the Profile II stage. The salaries and per diems for the program are in the FHIS budget. A bid has been drawn up for a training program to be funded by the Japanese Special Fund of the World Bank. It was foreseen that this training program would be the first step in implementation of the next phase of investments.

FHIS was established by law in 1990 and was originally seen as a temporary means of alleviating the impact of the economic stabilization measures that were implemented between 1990 and 1992. FHIS benefits from being exempt from the governmental Purchasing and Provisions Law and the nation's Budgetary Law. Officials of the institution have temporary contracts, but they receive higher salaries than most Honduran public servants. The primary purpose of the institution is the funding rather than the development of projects. In the first years, some projects were implemented through private development organizations (PDO/NGO), but regular FHIS programs currently work through municipal governments. The resources are prioritized in accordance with levels of unsatisfied basic needs (UBN). In 1998, subprojects were identified for the third phase of FHIS through town meetings that were carried out simultaneously in almost three hundred municipalities throughout the country. Unfortunately, the majority of the projects were not implemented because FHIS had to respond to the priorities that arose as a result of Hurricane Mitch in October 1998.

Within FHIS, *Nuestras Raíces* falls under the Office of Municipal, Community and Social Development. It is part of the category that includes social assistance, mother-child projects and projects for street children. Currently,

¹⁴ The term "ethnic" refers to the indigenous population and to Afro-Latinos, including the Garifuna and the population of the Bay Islands.

Nuestras Raíces has four permanent officials—a coordinator and three technicians—and it is the responsibility of the Director of Social Development.

The Ethnic Population in Honduras

The ethnic population of Honduras includes the indigenous peoples, who define themselves as descendents of the peoples who existed before the arrival of the Europeans, and the Black or Afro-Caribbean peoples, who consider themselves descendents of peoples who existed and had their own identity before the country was defined as such. This latter group argue that they are “indigenous” in accordance with the definition presented in Convention No. 169 of the ILO, which was ratified by Honduras in 1994. The Afro-Caribbean peoples include the Garifuna, descendents of African slaves and Arawak-speaking indigenous peoples, who were expelled from the Saint Vincent Islands at the end of the 18th century, and the English-speaking Creoles of the Bay Islands.

There are no precise figures for the country’s ethnic populations. This reflects the lack of reliable data, as well as the difficulty of defining who is “indigenous” or “black.” There are two trends that make it difficult to define the ethnic population. On the one hand, there is a process of loss of identity. This is very marked, for example, among the Lenca, who have lost the use of their own language, and among the populations who have migrated to the city and/or live outside the country. Perhaps the most extreme case is that of the Garifuna, of whom an estimated 25 to 50 percent—between 50,000 to 100,000 people—have emigrated to the United States, principally to New York. In recent years, nevertheless, the success of the indigenous movement has helped many people rediscovering their indigenous identity. This includes people living on the outskirts of Tegucigalpa.

Estimates of the size of the ethnic or indigenous population vary from 1.1 percent of the

population, based on the linguistic criteria of the 1998 census, to 11.5 percent, or around 650,000 people (Household Survey, 1997, cited in Gonón Ortíz, 1998). Other authors estimate a total of 500,000 people, equivalent to 12.8 percent of the country’s population (Lara Pinto, 1997, cited in von Gleich and Gálvez, 1999). Table 4, which takes its figures from von Gleich and Gálvez (1999) and from Fabián Gonón Ortíz (1998), offers a general overview of the distribution by ethnic group. Note the significant discrepancies between the sources.

The socioeconomic situation of the different ethnic groups reflects the degree and manner of their integration into the market economy. In the south, the Lenca and the Chorti live and work among the *ladino* population. They primarily devote themselves to subsistence agriculture, small-scale coffee production and wage labor on the coffee plantations. The poorest families are those who have no arable land and depend exclusively on wage labor. The situation of the Tolupanes is similar. However, one of the most traditional groups, living in Montaña de la Flor, has a more extensive area of land and, as a result, has been able to maintain a greater degree of autonomy.

The Pech, Tawahka and Miskito live in the tropical zones of Honduras, and historically have not felt as much pressure on their habitat. The Department of Gracias a Dios where the majority of these people live, has no communication by land with the rest of the country. Most indigenous people live from subsistence agriculture, fishing and hunting. The only sources of income are commercial lobster fishing, small-scale mining and logging. There are some conflicts between indigenous people and the settlers who are moving into the zone to take up cattle raising and logging. Currently, the issues of land ownership, and forestry and mining concessions are becoming more important.

Part of the Garifuna population lives in rural villages and relies on fishing and subsistence agriculture. There are other important populations in the coastal cities of Puerto Cortés,

La Ceiba and Trujillo, and in the banana plantations. The Garifuna have a long history of working as sailors, and currently the largest center of Garifuna population is in New York. The remittances sent from the United States are an important source of income for the coastal population.

Justification for the Ethnic Program

Given the socioeconomic diversity of the ethnic population, it is difficult to offer a simple characterization of the objectives and justification of *Nuestras Raíces*. The origin of the program stems from the political pressures applied by the indigenous federations, but the justification for an “ethnic” program varies according to the circumstances of the different groups. In the case of the ethnic peoples of the country’s Southern Highlands, the program can be characterized as a response to their situation of marginality, social exclusion, and to a lesser degree, isolation. Social exclusion is also an important issue for the Garifuna. In Gracias a Dios, and in places such as Montaña de la Flor, the program responds first to a situation of geographic isolation, and perhaps to a lesser

degree, to differences in culture, language, and expectations of the beneficiary communities.

The operational definition of the beneficiary population is flexible and any group that defines itself as an “ethnic community” can participate in the program. In practice, the federations select communities and do not apply ethnic eligibility criteria to the beneficiaries. The focus of the program is such that very heterogeneous groups, or the groups that have the greatest resources are not interested in participating, as the amount of money the beneficiaries receive is equal to the current legal minimum wage of 37 Lempiras a day (US\$2.40 at the current exchange rate).

The ethnic program is a complement and not an alternative to the regular FHIS programs. According to the Director of Social Development, around 20 percent of the sub-projects of the regular FHIS program reach the ethnic communities thanks to the practice of targeting resources to municipalities in accordance with their level of unsatisfied basic needs. Unfortunately, the FHIS information system does not allow us to distinguish ethnic beneficiaries from the rest of the population.

Table 4. Population and Location of Ethnic Group

Ethnic Group	Estimated Population*	Location (Departments)
Lenca	100,000/215,000	Intibucá, Lempira, La Paz, Fco. Morazán, Santa Barbara
Chorti	4,200/17,000	Copán
Tolupan/Xicaque	19,300/120,000	Yoro, Fco. Morazán
Pech	2,500/50,000	Olancho, Colón, Gracias a Dios
Tawahka/Sumo	1,000/1,000	Olancho, Gracias a Dios
Misquito	40,000/40,000	Gracias a Dios
Nahua**	—	Olancho
Garifuna	100,000/175,000	Cortés, Atlántida, Colón, Gracias a Dios, Islas de la Bahía
Creole	?/23,000	Bay Islands
Total	267,000+/641,000	

* The first figures are taken from Uta von Gleich and Ernesto Gálvez, the second from Fabián Gonón Ortíz.

** The Nahua are not included in the figures from these authors, but appear in the database of *Nuestras Raíces* in Phase III. A total of 1,831 families benefited from the program. This would mean that the population of the Nahua would include at least 10,000 people.

Activities and Institutional Structure

The activities of *Nuestras Raíces* are completely different from those of the regular FHIS projects. The program has only four permanent officials, and has carried out massive disbursements in three phases, each lasting three months, using 298 *enlaces FHIS* (FHIS liaison officers) and an equal number of *enlaces étnicos* (ethnic liaison officers) for the promotion and supervision of the program in the field. As an indigenous leader from the Mosquitia puts it, it is a program “that dies and is then resurrected again.” The primary investment of the program has been the rehabilitation and/or construction of rural access roads. It is a very simple activity. The beneficiaries choose the roads they are going to repair and/or open, they provide their own tools, and make a commitment to work for 15 days, for which they each receive 500 Lempiras (400 Lempiras in phases I and II). Table 5 presents the differences between *Nuestras Raíces* and the regular program of FHIS III.

There is an “FHIS liaison officer” and an “ethnic liaison officer” in each municipality. The FHIS liaison officers are promoters who have a formal education to the level of at least a bachelor’s degree, as well as rural teachers, health personnel or agronomists. They are hired for a period of only three months and in the last phase were paid a salary of 10,000 Lempiras per month (US\$690). The FHIS liaison officers take part in a one-week training course and are hired according to their qualifying grades, the first taken being those who have received the best grades. The ethnic liaison officers are indigenous people from the municipality, chosen by the federations. Typically they are local leaders and have completed primary education. They receive two days of training and a monthly salary of 5,000 Lempiras (US\$345) for a period of two months. The salary difference between the FHIS liaison officers and the ethnic liaison officers causes some ill feelings since they tend to do the same work. The indigenous people comment that some ethnic liaison officers did all the work because they were better motivated and more familiar with the communities where they

were working. In some cases, the liaisons simply divided up the communities in the municipality.

The work of the liaison officers is coordinated by 6 or 7 supervisors, who in turn report directly to the Director of Social Development. The indigenous federations supervise the work of the ethnic liaison officers. Some federations have a parallel structure to the local government. The ONILH has a structure of Local Indigenous Councils (CIL) at the community level, municipal committees and departmental councils. The organization of the Misquitos, MASTA (*Mosquitia Asla Takanka*—Unity of the Mosquitia), is made up of 8 subfederations, each comprised of various local councils.

The liaison officers are responsible for explaining the objectives and procedures of the program to the communities, for supervising the work and for paying the workers. They utilize technical manuals on road construction, but usually do not have the specialized technical knowledge to design new roads or supervise the works. In some cases the roads are used for permanent access. In others, they are temporary access roads that are closed as soon as the rainy season starts.

One of the comments that was repeated in almost all of the communities visited is that *Nuestras Raíces* is the only government or NGO program that directly pays the communities. Apparently, about 98 percent of the workers were paid for work completed.¹⁵ Although the liaison officers explain the idea of the rural funds in general terms, they do not have the time or the training to offer more detailed training on the administration of the funds. In the Lenca area, ONILH promoted a training program with

¹⁵ The “Nueva Esperanza” group in Guadalupe, Francisco Morazán received 30 salaries for the 36 people who worked. One of the indigenous promoters pointed out that the program only allowed one member per family to receive a salary. In Guadalupe there were several cases of families in which both spouses had been paid, at times as members of different groups or *cajas rurales*.

the support of the Foundation for Rural Development—a local consultancy (FUNDER), and financed by FHIS. The program was unable to cover the entire area, but in the communities that received training the results were positive. Those responsible for the funds keep a series of accounting books, covering savings, loans, stockholders and contributions received, and they utilize the manuals and forms that were prepared by the consultants.

Nuestras Raíces has prepared bidding documents for a new training program to be funded

by the World Bank. The program envisions a tender in accordance with Bank procedures, but some indigenous leaders are opposed to commercial bidding, arguing that this process does not guarantee that the work will be well implemented. Their preference would be to renew the contract with FUNDER, giving them the job of training indigenous trainers. Similarly, the leaders of the Mosquitia insist on the need to train indigenous promoters who in turn will be able to train Miskito and Tawahka communities in their own languages.

Table 5. *Nuestras Raíces* and FHIS

<i>Nuestras Raíces</i>	FHIS
<p>Project Selection</p> <p>Investments are limited to the construction and repair of access roads. The community chooses the roads.</p>	<p>In FHIS III the projects are selected in open meetings in 300 municipalities (these were not implemented because of Hurricane Mitch).</p>
<p>Investments</p> <p>The only investment is in manual labor for 15 days work. Part of the money is used to capitalize the rural and municipal funds (<i>cajas municipales</i>).</p>	<p>FHIS funds basic infrastructure projects (schools, health centers, potable water systems, etc), training and some productive projects.</p>
<p>Procedures</p> <p>FHIS liaison officers and ethnic liaison officers are hired to promote, supervise and pay for the work.</p>	<p>NGO and contractors bid for project preparation and implementation. Municipal officials supervise the work.</p>
<p>Critical Issues</p> <p><i>Nuestras Raíces</i> is not responsible for training the members of the <i>cajas rurales</i>. Indigenous federations carry out this task, but are unable to cover every area.</p>	<p>In the first FHIS programs, many programs were identified by NGO and contractors without the full participation of the community. The communities did not take responsibility for the operation and maintenance of works.</p>

Portfolio

Table 6 shows project disbursements by ethnic group and federation during the three phases of the program. It shows that during phase III the number of beneficiaries increased by more than 300 percent and the available resources by more

than 400 percent. The distribution of resources reflects the degree of organization of the ethnic groups. Thus, the Lenca, who represent 33-37 percent of the ethnic population (Table 4) received 67 percent of the total resources. In phase III, 82 percent of the resources for the Lencas were channeled through ONILH and the

rest through the Coordinating Body of Local-Level Organizations of Intibucá (COPIN).

The Misquitos, who represent between 6 and 15 percent of the ethnic population, received 15 percent of the resources which were channeled through MASTA. The Garifuna, who represent 27 to 38 percent of the ethnic population, received 8 percent of the resources, and the Creoles of the Bay Islands (4 percent of the ethnic population) received less than 2 percent. The smaller proportion allocated to the Afro-Caribbean populations is a reflection of the urban location of much of the population, as well as lesser degree of organization. The resources were channeled through the Garifuna's Organization of Black Brothers of Honduras (OFRANEH), and the Creole NABIPLA.

The Rural Funds (*Cajas Rurales*)

The *cajas rurales* are informal savings and loans schemes. Typically they comprise a group of 25-40 people who live in the same area and who know each other personally. In the Lenca area, the majority of the funds were formed within the CIL, using money they received from *Nuestras Raíces*. Each member contributes a sum of 200-250 Lempiras, divided into shares, typically of 50 Lempiras each. In the larger populations, such as Guadalupe, Francisco Morazán, there are several *cajas rurales* in a single community. Participation is voluntary, and those who do not wish to or are unable to contribute to the fund are free to withdraw all of the money owing to them.

Table 6. Beneficiary Families and Disbursements by Ethnic Group (in thousands of Lempiras)

Ethnic Group	Phase I (1995)		Phase II (1996/7)		Phase III (1998/9)		Total Ls. 000
	No. Fams.	Ls. 000	No. Fams	Ls. 000	No. Fams.	Ls. 000	
Lenca	18,978	7,591	24,116	9,666	(73,488)	(36,744)	54,001
ONILH					59,962	29,981	
COPIN					13,526	6,763	
Chorti	433	173	392	157	2,240	1,120	1,450
Pech	1,134	454	838	335	1,143	571	1,360
Xicaque	613	245	1,145	458	4,819	2,409	3,112
Nahua	—	—	—	—	1,831	915	915
Misquito	2,218	887	3,245	1,298	9,671	9,671	11,856
Tawahka	111	44	172	69	223	223	336
Garifuna	3,597	1,439	2,147	859	8,935	4,572	6,870
Creoles	465	186	931	372	679	679	1,237
Total	27,549	11,019	32,986	13,214	103,029	56,904	81,137

The organizational structure of the funds consists of an Assembly of the members, the maximum authority of the organization, with a Board of Directors, made up of a President, Vice-President, Secretary, Treasurer, a Supervisor and other Representatives. There is usually a monitoring committee of three or more

people, and a credit commission, normally of three or four people.

The operational procedures of the *cajas rurales* vary a great deal, reflecting the high level of participation that exists in the communities. There is only a general model that is more

elaborate in the communities that have received training and assistance from FUNDER and ONILH. In the communities that were visited, it was clear that members really had participated in the analysis and discussion of objectives, regulations and procedures of their funds. In San Francisco de Asis, Marcala, for example, the fund had its own regulations, drawn up by the Board of Directors and approved by the Assembly of members. Although the regulations perhaps leave something to be desired in regard to spelling, they cover the basic objectives, organization and regulations of the fund in clear and simple language.

The contributions typically comprise 50 percent of the money received from *Nuestras Raíces*. Normally, the rest of the money was distributed among the workers to cover their family expenses. The first groups to be established have contributed during the three phases of the program, and in some cases have allocated a part of the money from phase III to capitalize a municipal fund. In the groups that have received most training, the contributions are divided into shares of 50 Lempiras, and people who did not participate in the communal work have been offered the opportunity to buy shares. Some funds have opened bank accounts, using the "legal personality" (*personería jurídica*) of ONILH, but in other cases the money is looked after by the treasurer. There are some security problems. The funds of *Lazos de Amistad* were stolen when the money arrived to pay for phase III of the program.

There are several ways in which the funds are utilized. Most groups use at least part of their capital to make loans. In other cases part of the capital is used for a community business, for example a store or a butcher's shop, for community infrastructure and/or for social funds.

The terms of the loans vary a great deal. In some cases, the funds only offer loans to members, in others they lend money to nonmembers, typically charging higher rates of interest. The interest rates vary considerably, from 20 percent a year in Chusmuy, Marcala (a rate that hardly covers the rate of inflation) to 7

percent a month in Santa Ana, and up to 10 percent a month for nonmembers in Nuevo Amanecer, San Juan de Ojojona. In comparison, loans from commercial banks carry interest rates of about 42 percent a year, while small-town money lenders charge 10 to 20 percent a month, and up to 10 percent a day in the markets. The funds usually ask for some kind of guarantee. For small loans, of less than 3,000 Lempiras for example, it is normal to request a collective guarantee, the members of the group agreeing to cover the loan in case of default. For larger amounts, land titles are used as a guarantee, and in a few cases personal items, such as sewing machines, motorcycles or firearms, are accepted as surety. There are very few problems with repayment, and there were no loans outstanding in any of the *cajas rurales* that were visited.

In rural areas, the loans are used to fund agricultural production, other commercial activities and consumer goods. The majority of the loans are used to acquire fertilizers, for subsistence crops such as corn and beans, and for cash crops such as coffee in the highland areas. In poor communities, such as San Francisco de Asis, Marcala, local leaders argue that it is unfair to restrict loans to productive activities, as the poorest families depend on wage labor on the coffee plantations and cannot invest in productive activities. The fund can be of significant use for the poorest families, if they are offered the opportunity to buy roofing materials or pay for medicine in cases of emergency. Many funds offer loans to cover urgent medical needs, funerals and natural disasters, and some of the most capitalized *cajas rurales* have social funds that can make donations. The members from Arenales, Marcala, note that the loss of indigenous lands has largely been due to the fact that the *ladino* bosses take advantage of the moments of family crisis to lend sums that the indigenous people are unable to repay. Then, when the interest accumulates, the bosses take over their rights to the land.

Some funds manage small community businesses. The fund in Dulce Nombre de Jesús, Chinacla, manages a communal store, using part of the fund's capital. It is a relatively isolated

community, and the relatively well-stocked store offers a range of basic items, which the 72 fund members can buy at lower prices than at other rural stores. Prices cover the wholesale costs, transportation and the wages of the people who serve in the store, and are a little higher for the nonmembers who shop there. In Nuevo Amanecer, Ojojona, the members have invested part of the capital in acquiring three plots of land, planting pasture, constructing fences and buying cattle. Later, they constructed a building that is used as a meeting room and a butcher's shop. They estimate that the profit from the purchase and sale of cattle is almost equal to the profit from the loans, for which the members are charged 5 percent per month.

The members of the funds met during the field visits were very enthusiastic about the program. Generally, they recognize that the funds cannot resolve all the problems of poverty. Nevertheless, they emphasize that the funds offer significant benefits, such as the possibility of having small sums for productive activities or in cases of emergency. Similarly, and this was repeated on various occasions, the program has strengthened the communities' organizational capacity, and has created a change in the members' attitudes. Their expectations have changed, from passive acceptance of their situation to a more proactive stance, focused on savings and investment rather than the search for charity.

Municipal Funds

Municipal funds (*cajas municipales*) have been set up in some municipalities. The objectives and procedures of the municipal funds vary a great deal. In Marcala, the municipal fund functions as a second tier funding institution. It is financed through contributions of 300 Lempiras each from the 26 *cajas rurales* in the municipality. The capital is used to make loans to the local funds, charging a rate of 28-30 percent per year, which is less than the 42 percent charged by the banks. In turn, the *cajas rurales* on-lend the money to their members at a higher rate. It was evident that one of the

objectives of this municipal fund was to attract funds from the CONFINSA program that has US\$75,000 available to distribute among funds in the Departments of La Paz, Intibucá and Lempira.

In Santa Ana the municipal fund was financed through contributions from members of the 31 local funds in the municipality. When the fund was established in 1997, each member contributed 50 Lempiras, and in Phase III of *Nuestras Raíces*, another 50 Lempiras was allocated to the municipal fund. The municipal fund has capitalized rapidly and now has a capital of 140,000 Lempiras (almost US\$10,000), which has been deposited in a bank account. The fund grants individual loans at a rate of 7 percent per month, and charges 2 percent on any overdue payments. Given that the municipality is located near Tegucigalpa, almost all the loans are used for commerce. Some large loans have been granted, the largest (70,000 Lempiras), to the mayor. To date only one loan is overdue—a farmer who lost his crop in Hurricane Mitch.

FUNDER provided training for the Board members of both funds, and they have a good sense of formal administration procedures. Nevertheless, the problems of the municipal funds are more complex because they cannot rely on personal trust as in the case of the *cajas rurales*. They capitalize quickly and can access funds from outside, but they run greater risks. As a result more follow-up needs to be given to the municipal funds, whenever possible using promoters or trainers who are not involved with the local structures of power.

Coordination with Other Agencies

Nuestras Raíces was implemented in coordination with the ethnic federations.¹⁶ The Lenca are represented by two organizations, ONILH and COPIN, each with a different focus. COPIN is supported by the Catholic missionary movement and emphasizes social and political

¹⁶ For a description of the federations, see von Gleich and Gálvez, 1999, page 52-55.

demands more than communal development programs. Nevertheless, COPIN has also directly participated in phase III of the program. The federations belong to two national organizations, the *Mesa Indígena* and the National Confederation of Indigenous Peoples of Honduras (CONPAH). The latter includes the Garifuna organizations.

The federations are responsible for identifying the ethnic liaison officers and for promoting and supporting the program in the field. The support is better in some zones than in others, but there is no question that the program has had broad coverage and enjoys the trust of the indigenous peoples because the resources reach the grassroots directly, without passing through intermediaries such as NGO, churches or local governments. The program's success is in great measure due to the participation of the federations, and would not have been possible without the presence of independent ethnic organizations of this kind. For the federations, participation implies a certain level of compromise as they have to maintain their independence from the government. The relationship between FHIS and the federations is potentially a delicate one, but so far it has been handled diplomatically by both parties.

The relationship with local government is also complex. Normally, FHIS programs are channeled through the municipalities, as one of the primary objectives of the fund is to strengthen local government. In the case of *Nuestras Raíces*, a parallel structure has developed. There are indigenous municipalities in the Lenca area and in the Mosquitia, where municipal government and municipal indigenous organizations are the same. There are also municipalities in which the local power structure is dominated by *ladinos* who do not enjoy the trust of the ethnic population. In these municipalities, at the very least co-existence has been achieved despite the pressures to hand administration of the funds to municipal authorities.

Nuestras Raíces has no need to coordinate with national agencies, as to date the menu of works has basically been limited to the rehabilitation

and/or construction of rural roads. Regular FHIS projects require greater coordination with official agencies, especially the Ministry of Health and the Ministry of Education, to ensure the availability of resources and staff, and the maintenance of the infrastructure that has been created.

Conclusions and Recommendations

Nuestras Raíces offers an interesting experience that would perhaps be replicable in other countries. It is a simple program that has achieved a wide coverage with a minimum of bureaucracy. The program is supported by the structure of the indigenous federations, and has achieved important political objectives by involving ethnic organizations in implementation of the program, facilitating dialogue with government and creating opportunities for dialogue at the local level.

The weakest points of the program are the limited menu of projects and the lack of training and support for the *cajas rurales*. It would be worth broadening the menu of projects without creating new bureaucratic structures. It would be interesting to implement other simple infrastructure projects without going through the standard FHIS competitive tendering procedures. The beneficiary community could hire supervisors and specialized laborers, and the master masons, carpenters, and so on, who would train the local laborers working on the project. The workers would provide local materials, but would receive minimum wages for the work carried out. This approach would strengthen local organizations, and at the same time would offer basic training for beneficiaries, like those associated with the SIMAP Amerindian program in Guyana.

The follow-up is more problematic. The *cajas rurales*, and especially the municipal funds, require more training and support in order to consolidate their position. This means hiring specialized trainers who are familiar with the ethnic communities and municipalities. The most effective approach would probably be to

reach agreement with the ethnic federations on a training of trainers program, giving them responsibility for training and follow-up at the local level. This would facilitate dialogue and in the long run would help to consolidate the federations.

Finally, it should be asked whether the model of *Nuestras Raíces* could be broadened to reach the rural *ladino* population. In practice, the

definition of the ethnic population is very broad, reflecting the resurgence of ethnic identity throughout the country. Perhaps the greatest point of difference is the existence of the federations that unite the indigenous people. In the case of the *ladino* population, it would be necessary to identify and support other groups, perhaps the *patronatos locales*—the local councils that function at the submunicipal, or settlement level.

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