



From learning to fragile governance: Regional economic development in rural Peru



Karen Chapple ^{a,*}, Sergio Montero ^b

^a University of California, Berkeley, USA

^b Universidad de los Andes, Colombia

ARTICLE INFO

Article history:

Received 13 July 2013

Received in revised form

22 November 2015

Accepted 12 January 2016

Available online xxx

Keywords:

Learning

Governance

Regional economic development

Rural development

Peru

Latin America

ABSTRACT

This article analyzes the potential of learning processes to promote governance and economic development in rural areas. It examines how three types of learning in the Lurín River Basin in Peru—technical expertise, storytelling, and experiential knowledge—combine to empower rural communities to act collectively. Based on an analysis of three community-led economic development processes—irrigation improvements, tourism and food processing—we show that learning can result in new, albeit fragile, forms of governance and social capital. Fragile governance can turn into regional economic development when learning results in the development of a regional narrative and coordination occurs across both vertical and horizontal network dimensions.

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1. Introduction

While the 21st century has brought new prosperity and global clout to Latin American cities, rural regions continue to lag behind in terms of economic development. Although some rural regions have been able to create new sources of rural livelihoods and economic development (Bebbington, 1999), there is no formula for success, and most continue to have high levels of poverty relative to urban centers. Moreover, in much of Latin America, decentralization has resulted in an extensive reorganization of territorial governance that resulted in more decisions taken at the subnational level (Falletti, 2010), particularly in local economic development, even if not always coupled with appropriate expertise and resources at the local and regional levels (Montero and Samuels, 2004). In this context, the process of learning about economic development in the local and regional context becomes critical.

Thus far, the lively debate about learning and regional development has largely focused on innovation and high-tech industries in the urbanized context (Asheim, 2012; Cooke and Morgan, 1998;

Doloreux, 2002). Yet, due to their very distance from urban agglomerations, as well as the weak role of the private sector and the diversity of local actors, rural areas offer a unique lens into how learning processes occur across space (Wellbrock et al., 2012). Using the case of the Lurín River Basin in Peru, in this paper we analyze the tangible and intangible governance factors that are key in translating these local learning processes into local economic development outcomes.

The Lurín River Basin is the southernmost of three river basins in the metropolitan region of Lima. Most districts of the Basin have lost population in the last two decades due to migration to Lima; however, Lurín has retained much more of its nonurban land than nearby river basins. Although non-governmental organizations (NGOs) have worked for over two decades to improve conditions and build local capacity in the valley, poverty persists for as much as half of the local population. Yet the past twenty years have brought significant economic transformations to the rural villages of Lurín. These include increased agricultural productivity due to the building of several artificial water reservoirs in the village of San Andrés de Tupicocha, the emergence of tourism as a new economic activity in Antioquia after the implementation of a community-led program that painted many of the village buildings, and the building and operation of a factory to produce marmalade with the region's fruits in Cochahuayco. The region is currently struggling to

* Corresponding author. Department of City & Regional Planning, University of California, Berkeley, 228 Wurster Hall, Berkeley, CA 94720-1850, USA.

E-mail addresses: chapple@berkeley.edu (K. Chapple), s.montero@uniandes.edu.co (S. Montero).

develop effective territorial governance institutions for economic development. In recent years, local and regional actors have created several institutional arrangements that seek to coordinate environmental and economic development strategies at the regional level. NGOs in Lurín have focused on building institutional capacity and governance structures as a way to coordinate and promote regional economic development. In this paper we focus on the emergent governance of economic development processes and collective action in the region.

Based on over thirty interviews with key actors in the area and the observation of meetings between NGOs, local officials and peasants in several villages in Lurín, we examine how economic development initiatives have occurred in the region. In this paper we understand governance as self-organizing networks of actors that facilitate collective action initiatives (Jessop, 1998). While public actors can be part of governance initiatives, they do not always have to be present (Jessop, 1998). We look at governance dimensions that are both *horizontal*, i.e., coordination across municipalities, peasant communities or families, and *vertical*, engaging the multiple levels of government from community to municipality to district to region to the nation-state. The mechanism that activates both of these governance dimensions is *learning*, which in rural Lurín occurs in many different forms, from the transmission of technical expertise by agricultural engineers to the building of confidence in community members through storytelling to the experience of different techniques through learning missions to other regions. In particular, we analyze three community-led processes of economic development in irrigation, tourism and agro-food industry. We argue that in Lurín's successful economic development projects, three different types of learning – technical expertise, storytelling, and tacit or experiential knowledge – combined to create new meaning for its territorial assets and collective vision for the future. When these learning processes activated governance along both vertical and horizontal dimensions, actors in the region created the potential for institutionalizing these emergent economic development processes in the long term.

We begin with a review of relevant literature on territorial economic development, governance, and learning. After presenting a framework for conceptualizing learning and governance in a rural context, we provide a brief historical overview of the socio-economic conditions and governance dynamics in Lurín. We then look at the success and failures of local and regional economic development strategies in irrigation, tourism, and fruit processing in light of the role of learning and governance. The conclusion discusses implications for policy and institution-building efforts to promote local and regional economic development in rural contexts in Latin America.

2. Economic development, governance and learning in rural Latin America

To develop a relevant theoretical framework that allows us to study economic development in the Lurín River Basin in Peru considering governance and learning as critical variables, in the following sections we review three academic debates: 1) the territorial aspects of economic development, with a focus on rural development; 2) the rise of governance and the possibility of governance failure; and 3) the role of learning in regional economic development.

2.1. The territorial aspects of economic development

In recent decades, cities and regions have assumed increasing importance in the design and implementation of economic

development strategies. Subnational territories have come to be seen as privileged nodes of the global economy and are increasingly seen as responsible for their own development; thus, governance and collective learning increasingly explain why some cities and regions do better than others (Amin, 1999; Chapple et al., 2012; Lawson and Lorentz, 1999; Scott and Storper, 2003). Local governments in Latin America, often in association with other stakeholders of the local and regional economy, are now at the frontline of designing and implementing economic development initiatives (Borja, 2001). However, the lack of local institutional capacity and clarity about how to organize local governance structures for economic development have often obstructed efforts to achieve clear and positive results in the region. This has been especially the case in Latin American rural areas where decentralization reforms have been met with high hopes from rural communities and NGOs but also with remarkable institutional deficiencies (Bebbington, 1997). Economic development in these rural settings has faced particular challenges such as persistently high poverty rates, the role of agriculture as dominant economic activity, the pull of nearby cities, the weakness of the private sector, or the lack of specialized human capital (De Janvry and Sadoulet, 1993).

Villages and rural regions have attracted little attention in the local economic development and innovation literature. Instead, most of these debates have taken place in the field of rural development, which, in recent years, has also moved towards a more territorial focus while maintaining its key preoccupation with the dynamics of agriculture and its impact on peasants' income and welfare (Murdoch, 2000; Marsden and Bristow, 2000; Ellis and Biggs, 2001). Most rural development scholars agree on the need for a renewed rural development approach in which agriculture is one among many options to improve the lives of the rural poor (De Janvry et al., 1989; De Janvry and Sadoulet, 1993; Ellis and Biggs, 2001). A new paradigm of sustainable rural livelihoods is emerging, i.e., broadening income sources beyond subsistence farming to a variety of rural and non-rural activities, such as crafts production, housing investment, and remittances (Bebbington, 1999; Ellis and Biggs, 2001). Rural livelihoods develop via the existence (and accessibility) of diverse assets that can be transformed into income, or, 'different types of capital (natural, produced, human, social and cultural) that are at once the resources (or inputs) that make livelihood strategies possible, the assets that give people capability, and the outputs that make livelihoods meaningful and viable' (Bebbington, 1999: 2029). Rural development authors have increasingly appealed to the need to better understand the role of governance, networks and social capital (Murdoch, 2000). In other words, economic development in rural areas is not only a matter of improving agriculture and connecting farmers to markets and global value chains, it is also about understanding the horizontal dynamics of governance and social capital that make certain development initiatives thrive in some regions and not others.

2.2. Governance, networks and social capital in rural areas

Governance refers to a new way of governing space in which NGOs, the private sector, and other non-state actors are given a more significant and active role in public decisions, policy-making, and planning (Rhodes, 1996). As defined by Jessop (1998:29), governance is the "self-organized steering of multiple agencies, institutions, and systems which are operationally autonomous from one another yet structurally coupled due to their mutual interdependence." In the case of rural areas, Ostrom (1990, 2002) has shown how the self-governance of "common pool resources" such as irrigation systems can be highly effective as "commons governance." As Ostrom (2002: 16) concludes, to increase benefits and decrease costs, "it is essential to draw on cultural endowments

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