Rebuilding the State in Areas Affected by Political Violence: The Case of Rural Communities in Ayacucho, Peru

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Abstract

During the 1980s, the Peruvian society was deeply affected by two significant events: a) the economic crisis that ended in recession and hyperinflation and, b) the spread of political violence, in particular in Ayacucho, in the central Andean highlands. Taking this into account, the conditions for the reconstruction and rehabilitation of those areas affected by political violence were reviewed from an economic approach. Therefore, this paper aims to analyze the role of the State in the rehabilitation process of the rural communities in Ayacucho, with special attention on the advantages and limitations of a decentralization program.

The analysis was made at the micro and macro levels. For the micro level, asset and vulnerability approach was used, and at the macro level, decentralization was considered to be the main link for the new relationship between the State and the rural communities.

As a result of this two-fold analysis, it could be concluded that the simple creation and provision of social infrastructure, does not ensure a sustainable improvement in population well being. It is necessary, therefore, to have at the same time an effective policy for productive investments focused on an increase in the quantity and quality of productive assets and of the human and social capital that will enhance agriculture and livestock, the two main activities in Ayacucho. This should be given together with the required institutional strengthening.

It is expected that public expenditure create the conditions required for an efficient allocation of resources needed for a reconstruction based on a development strategy. The advantages of this proposal are: i) to identify easily the local problems and potentialities, ii) to encourage local participation in municipal management, and iii) to reduce information costs by promoting effective coordination among the public and private actors thus avoiding the role duplication.

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1. Introduction

During the 1980s, the Peruvian society was deeply and negatively affected by two significant issues: In the first place, the economic crisis that ended in recession and hyperinflation and, secondly, the spread of political violence in most parts of Peru, in particular in the rural areas. It is estimated that more than 30 thousand persons died as a result of the "dirty war" declared by terrorist groups known as Sendero Luminoso (Shining Path), Movimiento Revolucionario Túpac Amaru (MRTA), para military groups and the Armed Forces.

The cities of Ayacucho, Junín, Huancavelica, Apurímac, Puno, Pasco and Lima were, in order of importance, those most affected by terrorism. Consequently, the affected rural population moved to the provinces of their Departments and other cities, mainly Lima, Huancayo, Ica, Huamanga and Abancay[1].

The economic crisis affected the rural population not only in the trends for terms of trade but also with regard to restrictions in the labor rnarket, reflected either in working opportunities and/or the salaries they were paid. All these facts had negative effects on the rural household income and consumption pattern.

To these macroeconomic characteristics, it must be added that to control the existing hyperinflation. The Peruvian administration that took office in 1990, implemented a stabilization and structural adjustment policy that implied severe restrictions to public expenditure. Likewise, and contrasting with former administrations, structural reforms focused on the liberalization of domestic and external markets were implemented.

From the above-mentioned facts, it can then be considered that the economic crisis and political violence should be understood as external facts affecting the economic, social and political structure of the rural sector. It is therefore relevant that the

[1] Internally displaced people is the term used for people that moved to an unplanned territory in the interior part of the country. They were forced to abandon their homes or usual economic activity, because their life, security and freedom were threatened by general violence or the existing local conflict.

conditions for the reconstruction and rehabilitation of those areas affected by political violence be analyzed from an economic approach.

The main issue for this paper can be summarized in the following question: Is fiscal and administrative decentralization an efficient instrument to reduce rural poverty and the social exclusion of indigenous population affected by political violence? Therefore, the general goal of this paper is to analyze the role of the State in the rehabilitation process of the rural communities affected by political violence in Ayacucho. In particular, we will analyze the advantages and limitations of fiscal and administrative decentralization programs within the scope of the conditions prevailing in those areas under study.

The hypothesis for this study is as follows: "Political violence in rural areas has exacerbated poverty through the deterioration or destruction of human and social capital and productive assets. The reconstruction efforts would be most effective if linked to a decentralized public expense program, for which funds may be allocated through local participation, while implementing a development strategy for the identification of the key economic sectors required for reconstruction."

The specific goals of this paper are:

- To know the extent up to which the new requirements of those rural communities affected by political violence are linked to the redefinition of the relation between the State and the Community, recognizing the fact that these are the poorest areas in Peru with a prevailing indigenous population.
- To identify the advantages and limitations of an effective decentralization proposal for the rural municipalities.

This paper is divided into the seven parts, as follows: the second section that deals with the effects of political violence and the reconstruction in rural communities. The third section analyzes the problem at the microeconomic level using an asset approach. Additionally, from a macroeconomic approach, a decentralization program for those areas affected by political violence is considered. Section four reviews the methodological issues. In the fifth section the relation between State - Rural community

is evaluated, while the sixth section outlines the advantages of a proposal for government and administrative decentralization for the rural areas. The seventh section contains the conclusions and recommendations of the study.

2. The Effects of Political Violence in Rural Communities

According to Coronel (1997: 31) the effects of political violence, though focused on the central and southern Andean highlands and the jungle, has affected the Peruvian society as a whole. The author gives the following data about the damages and repercussions:

a. - Dead	25,927
b. - Missing	6,000
c. - Displaced	430,075
d. - Population affected directly	1,600,000
e. - Massive loss of human rights and liberty	9,000

f. - Discapitalization, low productivity, destruction, loss of technological assets and disarticulation of commercial circuits; material destruction of productive infrastructure, services, roads and others.

g. - Loss of governmental and social institutions and the rural women's new role.

h. - Increase of illegal drug trade.

I. - Sprout of a new type of organization: defense committees such as women's organizations, among others.

The worst political violence actions took place in those departments located in the central Andean region (Ayacucho, Huancavelica, Junín and Pasco) of which 43% were in Ayacucho followed by 34% in Junín. With regard to victims among civilians according to their occupational activity, 69% of the persons affected were peasants (Separ, 1992:15,36).

This paper is focused on the Department of Ayacucho, located in the Peruvian central Andean region, with a total population of 492,502 inhabitants, of whom 52% is classified as rural population. The Department of Ayacucho is considered to be one of

the poorest in Peru. The effects of political violence worsen this condition, and it is estimated that 57,000 families were internally displaced (Anyosa, 1996).

Agriculture and cattle rising are the main activities contributing to 28.6% of the Department's GDP. The economically active population in this sector represents 60.3% of the total population (Ibid.:2). This activities are carried out mainly in the rural communities, where 86.26% of the landowners have less than five hectares each, thus agricultural activity is performed in 9.65% of the extension of the total land (Reynaga, 1996:9).

The identification of the socioeconomic characteristics and of the technical profile of the agricultural producer in the Department of Ayacucho, reports a farmer with limited education and approximately 34% with no education at all. Land property is classified according to the national pattern that can be one of the two modalities in a simple system (individual or community property).

Technically, the farmer in Ayacucho is considered to be a traditional one because of his limited use of mechanical energy sources, agricultural machinery, improved seeds and chemical fertilizers. The same can be said with regard to his limited access to credit services, technical assistance, and irrigation infrastructure (Ministry of Agriculture and INEI, 1995).

Fleeing out from the area of conflict was the response for most of the rural population. It is estimated that approximately 120,000 families were internally displaced by political violence, of which 54% moved to areas in the interior of their Departments (Ayacucho, Huancavelica, Apurímac and Junín) and the other 46% moved into other regions. The result of this internal migration process reflects a change in the distribution of the population nationwide. According to the 1981 census and that of 1993, there was a decrease in absolute figures both for the total population and the rural population in the Department of Ayacucho, where the rural population that was 63% in 1981 dropped down to 52% in 1993. Changes were also reported for gender and age distribution (INEI, 1994).

Although most of the internal migrants are rural workers, it is important to have their characteristics identified. Coral (1994) reports that farmers belonging to the middle and higher segments faced more security and risk problems and migrated to more distant places such as Lima, Ica or Huancayo. In places where security problems were not of major concern, the families moved to intermediate cities, Department capitals, provinces or jungle areas.

However, peasants belonging to the lower segment remained in their community or moved only to nearby communities and small towns. They decided to stay in their original locations, and they grouped themselves in safe places against Shining Path visits. They are known as the “resistant” communities.

Starting the 1990s, with the positive results of pacification, internally displaced families are returning to their original places of residence. This can be seen in the central and southern highlands and in ethnic minorities in the jungle. The return of internally displaced families is due mainly to:

1. - The poor and discriminated conditions in which they have been living in the city, as well as the lack of working opportunities.
2. - To recover their farming land, which they consider their most significant asset and their main income source.
3. - Expectations about the relief programs offered to those returning to their original communities.

The current condition of the people who returned to Ayacucho and of the “resistant” communities can be described as follows:

1.- Local infrastructure is in very bad condition due to that most of the houses, schools, and community centers were destroyed.
2.- Agricultural and livestock activities are in low productivity or abandoned, thus limiting the possibilities for employment (use of local handwork) and income generation (access market for their products).
4.- Very high malnutrition rate.

5.- Inefficient water supply system for both human consumption (lack of minimum safety requirements) and for irrigation systems. Farming activities must wait for the next raining season within the rain-fed (secano) agricultural system.

In summary, in Peru the rural sector that was affected by political violence lives either in poverty or extreme poverty conditions as can be seen from the poor housing infrastructure and productive assets, the high malnutrition rate and the low-income generation. Thus, the current problem in those areas affected by political violence is rehabilitation and reconstruction.

3.- Theoretical Framework

In this section we intend to offer a few approaches on the conditions on which the reconstruction process of those areas affected by political violence should be carried out. The issue is analyzed both at the micro level using the assets and vulnerability approach to assess the problem faced by the affected families, and at the macro level, by placing the decentralization program as the articulated axis for the new State-Rural Community relation.

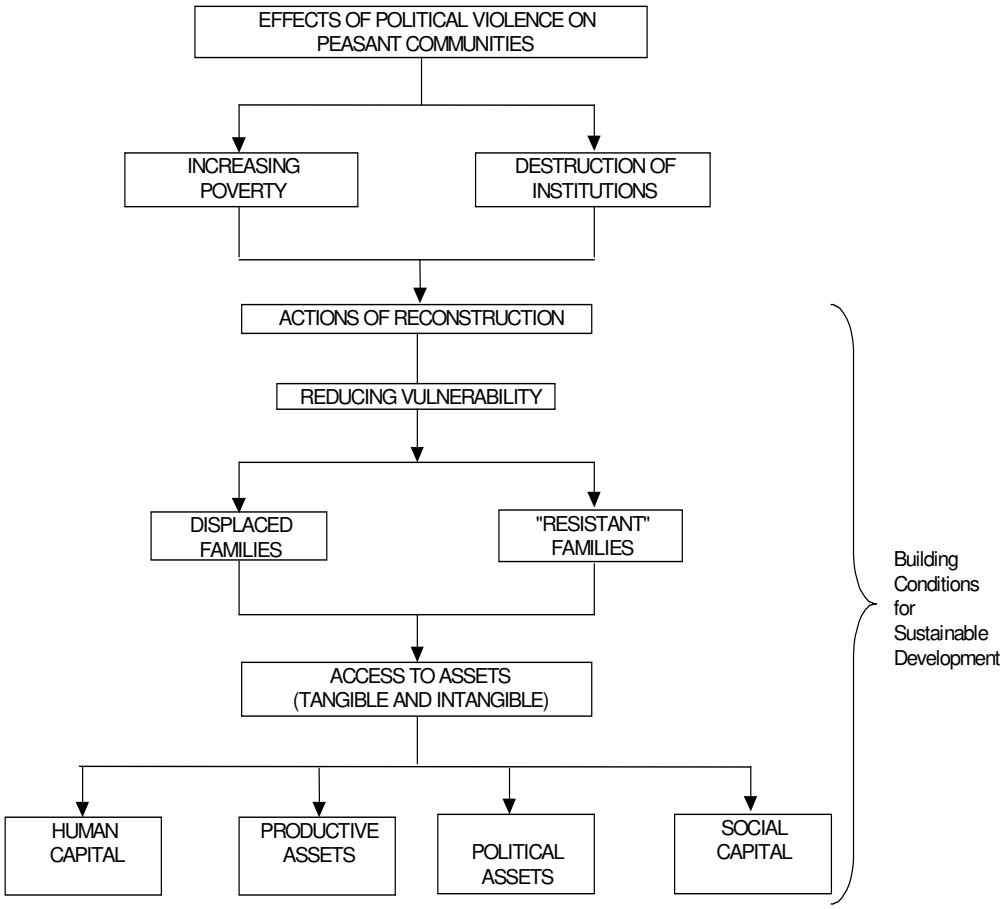
3.1.- Micro Analysis: Assets and Vulnerability Approach

According to Sagasti and Alcalde (1997:89) Ayacucho can be considered to be a Department where poverty has become endemic. When comparing some of the criteria used to define the population segments according to the 1993 census, it can be seen that the indicators for living conditions in Huanta, -one of the provinces in Ayacucho mostly affected by political violence and the selected area for this study fieldwork- are those of extreme poverty. The compared data with regard to national average show 69.1 against 48.3 for chronic malnutrition, child mortality rate is 94.9 against 58.3, school absenteeism is 19.7 against 12.7, the economically active non-professional population is 93.5 against 83.9, illiteracy rates 37.3 against 12.5. In addition, the data shows overcrowded households and the lack of access to water and electricity services (Apel, 1998: Table 17).

In this context, how should reconstruction in the poor rural areas be understood? How to move from assistance programs to reconstruction for development programs?

Diagram 1 shows those issues to be considered when analyzing the reconstruction process in the post conflict stage.

Diagram 1. Post-Conflict Reconstruction



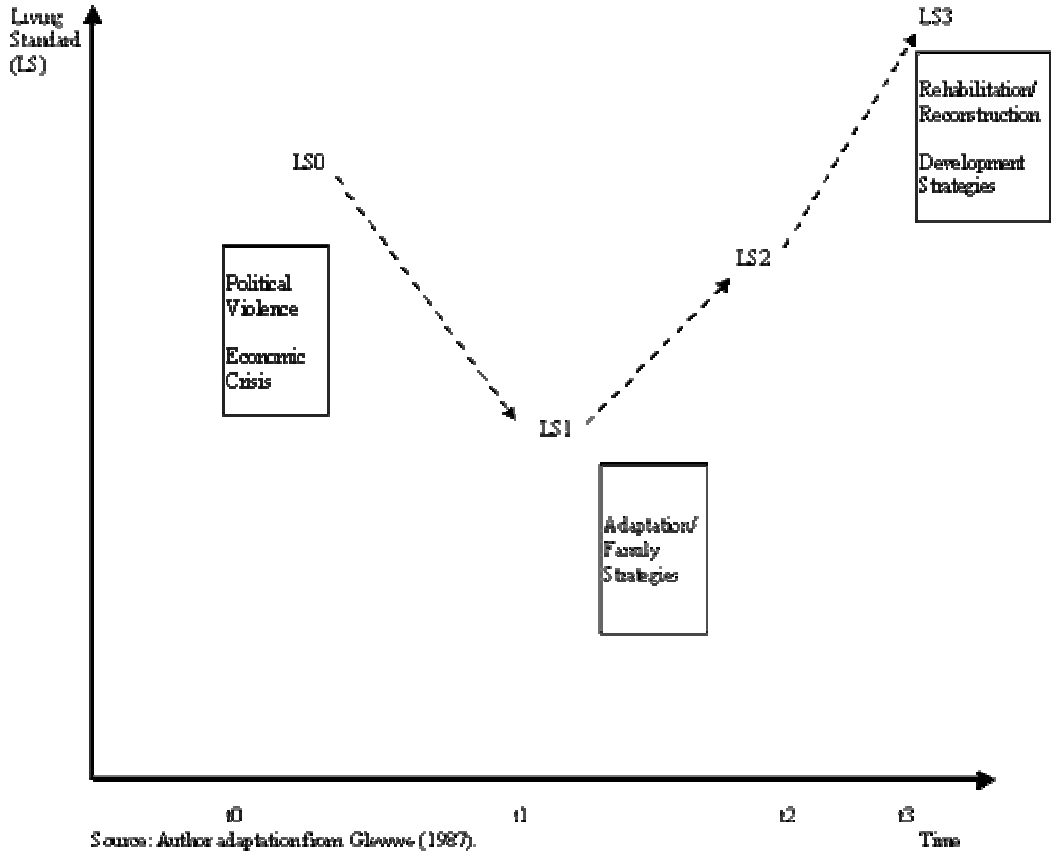
As mentioned before, political violence exacerbated poverty among the families and destroyed the institutional framework. Therefore, it is expected that reconstruction activities are to be focused on the reduction of vulnerability with regard to assets (Moser, 1997, 1998), highlighting access to productive assets, political, social capital and improvement of human capital. In this regard we gather the vulnerability and property assets approach developed by Moser (1998: 3) in the analysis of programs for urban poverty reduction in several countries, an approach that may be adapted in the case of those rural populations affected by political violence.

> "The urban study defines vulnerability as insecurity and sensitivity with regard to the well-being of individuals, households and communities in the face of a

> changing environment, and implicit in this, their responsiveness and resilience to the risks that they had to face during such negative changes. Environmental changes threatening welfare can be of an ecological, economic, social and political nature, and they can take the form of sudden shocks, long-term trends, or seasonal cycles. With these changes often comes an increasing risk as well as uncertainly and a loss in self-respect.
> (…) The analysis of vulnerability involves identifying not only the threat but also the "resilience", or responsiveness in exploiting opportunities, and in resisting or recovering from the negative effects of a changing environment. The means of resistance are the assets and entitlements that individuals, households, or communities can mobilize and manage in the face of hardship. **Vulnerability is therefore close linked to asset ownership. The more assets people have, the less vulnerable they are, and the greater the erosion of people's assets, the greater their insecurity."** (The highlighting is ours)

Figure 1 shows the vulnerability sequences. Starting from the lowest segment of living standard, LS_o, and keeping in mind that the areas under study are known for their structural poverty, political violence and the economic crisis that has affected the ownership and quality of their productive assets, the family social and human capital, and has changed their vulnerability. To face this situation the families carried out strategies for adapting themselves to the new context. Among those strategies were the forced internal migration or the army-supported resistance. It is expected that once pacification is achieved, in particular with a coherent development strategy, the public and private investments will begin, thus allowing a qualitative step forward from living standard LS_o to LS_3, a segment higher than the initial one. Only then a significant improvement in the living conditions of the populations affected by political violence and endemic poverty could be expected.

Figure 1. Sequences of Vulnerability



Source: Author adaptation from Glewwe (1987).

There is a key issue with regard to the population benefited with these programs. It is necessary to consider in an adequate way the special situation of at least two large groups of families, those that migrated from the community and have now decided to go back, and those who stayed in the area of conflict as the “resistant” families. It would be expected that the provision of assets, expectations and development perceptions may be different for these groups, thus a careful analysis is required before making any policy proposals.

The definition and recognition of their property rights will be most important in those areas affected by political violence, especially in the case of the " internally displaced" families who decided to return to their original place of residence, Here again, restoring the rules of community life may provide the institutional basis for the implementation of larger rehabilitation programs.

3.2.- Macro Analysis: Effective Decentralization Approach

Despite many decentralization attempts in the past years, Peru remains as a very centralized country. At the institutional level, most of the indirect taxation is collected by the central government, on which public spending decision is concentrated. This is reflected in the little autonomy left to local governments who are heavily dependent from the central government (Gonzales, 1994 and Araoz, 1996).

A key issue in this process is to define the meaning of the term decentralization, which can be sometimes ambiguous and leading to confusion. For this study we consider the definition for effective decentralization as proposed by O'Neill (1998:8-9), which is the following:

> "Effective decentralization requires a transfer of both political and fiscal power to sub-national levels of government. The transfer of fiscal resources to appointed sub-national officers increases the number of people making political and economic decisions within the nation, but the sub-national officers depend from the central government for power instead of being held accountable to local constituents. Similarly, the election of sub-national officers in the absence of real fiscal and policymaking power is not an effective decentralization. Such local politicians, while accountable to their constituents, have little over which to be judged. Thus, autonomy and access to financial resources are the hallmarks of effective decentralization".

According to this, effective decentralization is the process by which the central government transfers not only financial resources to the local governments but also administrative and decision-making capabilities.

For more precision, we will quote the meaning of fiscal decentralization according to Gonzales (1997: 235) who states that:

> "Fiscal decentralization is a disruption in the concentration of decisions and in the management of fiscal income and expenditure at the various government levels in order to perform more efficiently the government role and functions. Three are the basic principles for fiscal decentralization: 1. Subsidiary, that means that the State must do all that the market and the private sector are not able to do. 2. Fiscal correspondence, that is the responsibility of spending according to resource availability. 3. Equity and fiscal progressiveness implies the need for redistributing taxes or public expenditure accurately".

For a fiscal decentralization process the author suggests also the decentralization of public expenditure and of the taxation system, as well as a reform of the government structure.

O´Neill (1998) studied the characteristics of the decentralization processes in Bolivia, Colombia, Ecuador, Peru and Venezuela as implemented during the period 1970-1996. Among the various theories for decentralization, there is one by which decentralization responds to fiscal stimulation. That means that when there are problems in the fiscal accounts the central government will consider it adequate to transfer public spending responsibility to the intermediate government levels. Another theory indicates that on the face of severe difficulties for external debt payment, decentralization responds to the external pressure of the international agencies (The International Monetary Fund and The World Bank, among others). There is also another approach referring to the country's internal aspects, for which decentralization needs to be implemented according to the differences existing among the population nationwide. The differences may be ethnic, religious or racial. It could be expected that a more heterogeneous population may generate a greater approach for decentralization.

O'Neill (1998) found that all these theories are explained in a limited and insufficient way when predicting the adoption of a decentralization program. With this in view, the author proposes a new approach based on the games theory to assess the electoral logic of decentralization. The model proclaims that decentralization will take place when the parties in power have weak national support but a strong support

at the local level that is likely to remain unchanged over time. The relative continuity of the local support would "ensure" that with a transfer of autonomy to these levels the central government would ensure its stay in power. However, when the local support is limited and highly unstable, the central government will discard the decentralization option, because this will empower those instances where the government's influence is less felt and would generate more winning options to its political rivals in future elections.

When applying this theory to the Peruvian case, O'Neill (1998) states that these characteristics were relevant to both the APRA[2] experience in the election for the Constituent Assembly in 1978 and the election of Acción Popular[3] in 1980. In both instances, none of the referred parties had won the elections with a nationwide majority, but they received strong support at the local level, with limited changes in the support they received. That is the reason why the new 1978 Constitution empowered the local governments and the AP administration set up regulations to promote decentralization.

The experience of Cambio 90[4] was totally different as it had strong nationwide support, but a weak support to its party candidates at the local level with many changes throughout time. Given this circumstance, Fujimori´s administration accumulated power systematically for the central government by cutting off both the political and financial resources to the local governments. That attitude did not promote effective decentralization because electoral logic and the assessment of future options for staying in power inhibited the current administration from implementing decentralization. However, measures were not discarded to respond to methods focused more on "deconcentration", by which the central administration transfers responsibilities and resources for the supply of property and services to its

[2] APRA (Alianza Popular Revolucionaria Americana), political party governing Peru during the period 1985-1990.
[3] Accion Popular (AP), right wing political party which ruled Peru between 1980-1985.
[4] Political group led by Alberto Fujimori, that was in power in Peru during the period 1990-2000.

regional or local offices, without this meaning actually a transfer of power or administrative autonomy to the local government.

3.3.- Decentralization in the Context of Political Violence

The Latin American experience showed that while the economy can be stabilized through adjustment policies, those policies did not generate the conditions needed for a sustainable economic growth. During the 1990s, the levels of poverty and income distribution, with the exception of Chile, did not show significant improvement (Haggard, 1995). In view of that diagnosis, the proposal is that decentralization should promote and facilitate some economic development. Social policies – especially those intended to improve living conditions for the poor- may be most effective in the context of a decentralization program that may increase access to productive assets and resources.

Currently, after pacification, it is most useful to think about the forms in which the rebuilding of the State can take place in those areas affected by political violence, proposing to that end a decentralization program. It will be interesting therefore to know how the allocation of public funds and the implementation of government programs should be oriented to the rehabilitation of rural society, and also which would be the new behavior and relation on the part of the affected population. Thus, the main question to be answered can be summarized as follows: **Is fiscal and administrative decentralization an efficient tool for reducing rural poverty together with the social exclusion of those populations affected by political violence?**

In order to have an idea on the approaches and institutional requirements to be considered to achieve a satisfactory result, we will consider the Colombian case.

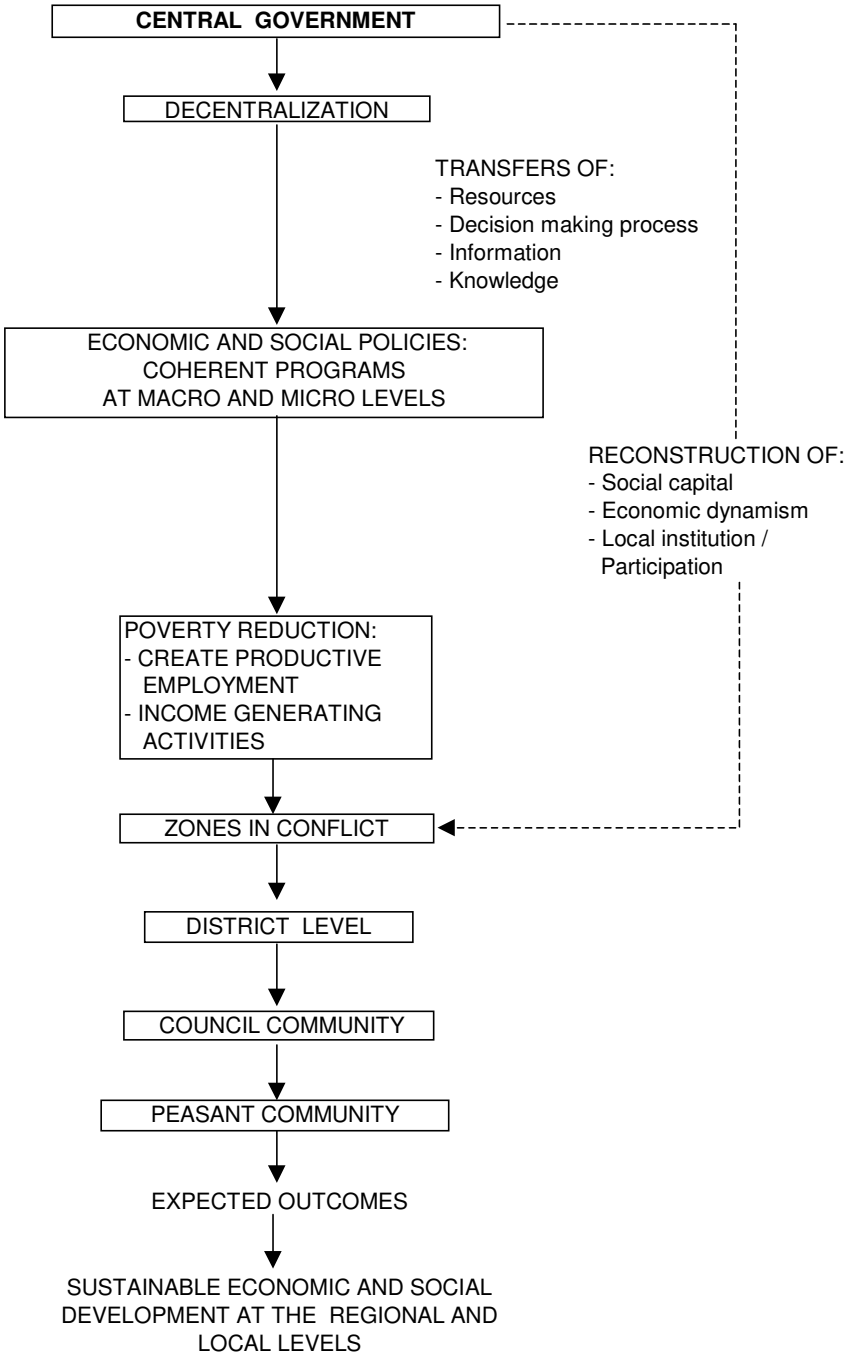
On the basis of the experience obtained in 16 municipalities in Colombia (World Bank, 1995) we concluded that the traditional decentralization approach – that which identifies a decentralization process as successful when the central government makes a massive effort to transfer technical assistance to the local level (supply-driven assistance program) – is not enough because of the lack of sustainable results. That diagnosis gives way to the proposal of a new approach where attention is focused in the

development of the local capabilities for the promotion of responsible and innovating leadership together with greater involvement of civil society as the main agent/actor for change.

For the latter, it is necessary to have technical assistance adapted to local needs, and that requires a national system offering timely and efficient support to local governments. The proposed institutional change requires an efficient system for the dissemination of information on the best options and solutions available at the local government level. Therefore, access to information, considered to be a public good, will be crucial for the success of right and timely decision-making.

With out trying to exhaust the subject, the relationship suggested in Diagram 2 is most useful for exploring the links that exist between decentralization, social policies and the rehabilitation of those locations affected by political violence.

Diagram 2. Proposal of Decentralization



From the relationships shown in Diagram 2 one could expect that the involvement and political will of the central government to reduce poverty and social exclusion for those groups affected by political violence will be expressed in the implementation of a program for effective decentralization, which would be the delegation/transfer of authority and independence to the regional and local governments together with the access to financial, technical and information resources, among others. Assuming that there is macroeconomic stability for the promotion of coherent policies integrated at sector level that would mean that social policies might be reset together with the recuperation of those institutions that disappeared as a result of political violence, it could also happen that new groups with specific demands and characteristics may be identified. It is in this phase when some type of "social capital" should be gathered so that the affected groups may participate more directly in the decision-making process with regard to the definition of the most convenient interventions and strategies for the economic, social and political rehabilitation of their communities. It would be expected that baseline programs for poverty reduction and institutional reconstruction might create the conditions for a sustainable economic and social development at local and regional level. Therefore, it is necessary to identify accurately (responsibility of the government technical teams and of the level and commitment of local participation) the main bottlenecks that hinder employment generation and income increase. For the satisfactory elimination of those restrictions it is critical to coordinate efficiently the micro and macro economic policies for the promotion of private and public investments. If not, it could be that even a favorable macro environment may not be enough when sector policies do not promote regional or local economic progress. It could be speculated that the provision of better and more public services together with measures for access to credit by the affected sectors may create the basis for a qualitative and quantitative change from a condition of poverty and extreme poverty to one where access to new opportunities for steady employment and increased income may be available.

In conclusion, it would be necessary to outline clearly which type of government would be most capable of implementing the decentralization proposal. It would be necessary to have not only a capable government but also one with **the political will** to transfer/delegate functions and resources to the intermediate levels (regional, local or communal) This would be eased with the creation and consolidation of institutions capable of implementing the suggested changes.

It is in the above approaches at the micro and macro levels, that the hypothesis for this study is being outlined: “The effects of political violence in rural areas have increased poverty through the deterioration and destruction of the human, social and productive capital. Reconstruction efforts would be more effective if given jointly with a decentralization process of public expenditure, local participation in funds allocation, implementing for that purpose a development strategy that may identify those economic sectors that are key for reconstruction”.

In order to verify how relevant could this hypothesis be, the methodology used for this study is explained in the next section.

4.- Methodology

This study had information sources. The primary source was obtained from fieldwork in two rural communities. The quantitative information was gathered from a survey among a group of households that was complemented with qualitative information in discussion groups and workshops. The methodology used was based on the Participatory Rural Appraisal, complemented with an interview to the majors of the province of Huanta and the district of San José de Santillana.

The secondary sources were information provided by government agencies including statistical data on the economy of Ayacucho, and public spending at the Department level, among others.

Sample Framework

The population defined for this study is that living in the Department of Ayacucho, a place large affected by the political violence of the terrorist group Sendero Luminoso (Shining Path) and the Armed Force. The population will include those internally displaced persons as well as those living in communities that were resistant to violence.

Also included will be government agencies such as the Programa de Apoyo al Repoblamiento (Repopulation Support Porgram, known by its abbreviation in Spanish, PAR) and the local government, among others.

It was decided to have the study carried out in the province of Huanta, because it is one of the places most affected by political violence and also because it met the other selection criteria.

Analysis Unit

The main analysis unit was the rural family victim of political violence.
Other institutions in the area such as PAR, the municipality of Huanta and private agencies working in the area, were the secondary analysis units.

With regard to fieldwork with households, the latter were grouped according to the following profiles:

Resistant Community

- Situation of the household and individuals who stayed in their original place of residence in spite of serious threats and/or conditions that put their life in peril.

Returning Community

- Situation of the household and individuals who have returned to the places from where they had unwillingly left because of serious threats and/or conditions that put their life in peril.

Area under Study

1. Resistant communities, Chaca in the district of San José de Santillana, province of Huanta.
2. Returning communities, Cunya in the district and province of Huanta.

The survey in the community of Chaca was carried out in 74 of the 200 households. The community of Cunya has 40 households, of which 30 were surveyed.

Cunya stands at 3,800 meters above sea level, and is located at 75 km. from the city of Huanta. Public transportation goes there only once a week for the Friday fair. Chaca stands at 3,400 meters above sea level, and is located at 50 Km. from the city of Huanta. The place was the final part of the old road and the cars go there every morning. The station wagons depart from the city of Huanta, the capital of the province of Huanta. Currently, by the new highway the trip from Huanta to Chaca takes 3 hours and 4 to Cunya.

5.- Assessment of the State-Rural Community Relation: Redefinition of Roles and New Expectations for the Beneficiary Population

This section includes the most important results of the fieldwork, for which we have considered the households characteristics, their relation with the State and those institutions related to reconstruction and the specification of the investment needs.

5.1.- Characteristics of the Peasant Families

The objective of this section is to describe some of the relations identified as a result of the statistical analysis generated in the rural households survey in the communities of Chaca and Cunya.

5.1.1.- Social Demographic Characteristics

These are some of the social demographic and productive characteristics of the rural families:

Rural population in both Chaca and Cunya are organized in rural household units. In the household distribution (See Table 1), the average number of family members is 5 in both communities. The average number of children per family is 3.

Table 1. Demographic Characteristics of Survey Households

Characteristics	Communuties		Total
	Cunya	Chaca	Sample
Number of households	30	74	74
Families			
Household size	4.60	5.34	5.13
Number of children	3.00	3.14	3.11
Household Head			
Age (years)	45.80	41.14	42.48
Male HH Heads	93%	66%	66%
Female HH Heads	7%	34%	34%
Years Living in Community	29.0	20.0	22.6
Level of Education			
None	30.0%	40.5%	40.5%
Primary	63.3%	58.1%	58.1%
Secondary	6.7%	1.4%	1.4%
Technical	0.0%	0.0%	0.0%
University	0.0%	0.0%	0.0%
If Not Completed Primary School			
Can Read a Newspaper	36.0%	36.1%	36.1%
Can write a letter	44.0%	22.6%	22.6%
Speak Fluent Spanish	23.1%	18.3%	18.3%
Religion			
Evangelic	66.7%	35.1%	35.1%
Catholic	33.3%	64.9%	64.9%
Mother Tongue			
Quechua	100.0%	95.9%	95.9%
Spanish	0.0%	4.1%	4.1%

Source: Survey to peasant families, January 1999.

Men head most households. In Chaca the population distribution is 69% men and 31% women. With regard to the gender of family heads, we tried in some way to follow the distribution found in the 1994 agricultural census. That is to say in Ayacucho 30% are women-headed households, and this situation is shown mostly in the resistant communities, where mostly are women-headed households because of death of the husband as victim of political violence. On the contrary, in Cunya, a community of returning families, women headed only 7% of the households.

With regard to the educational level of the family head, it was noted that 35.6% of them never went to school. 61.4% went to primary school and 3% went to high school. This data is most significant in order to have an idea about the level of the human capital accrued by the family heads. In this regard, it can be assumed that in the case of the returning families, despite the difficulties they had to face, their urban experience is mot useful for their widening the level of information and of opportunities offered by living in the cityl when compared to those available for them in their community. This is particularly true in the case of the young people returning to their original place of residence. In a study made by Rodriguez (1997) on young people returning to Apurimac, a department close to Ayacucho, it was found that their requirements for productive investment makes them consider for new and more dynamic activities linked to the regional markets. These activities are, for instance, the constitution of small micro enterprises for fruit and pulses, or agricultural- industrial processing activities such as cheese and dried potato. This innovating effort, however, must face limitations with regard to demand and supply, reflected on situations such as the difficult access to new markets, timely availability of inputs, quality product limitations, time credit opportunities, among others.

Among the persons returning to the community in Cunya, we could identify four cases of families that had chosen to plant green vegetables and they received credit and technical assistance support from IPAZ, a non-governmental organization. The farmers were able to solve the marketing problems and “took over” the market

competing with producers from the Huanta valley. It seems that the good quality of their products made them easily acceptable at the urban markets in Huanta.

5.1.2.- Production Characteristics of the Rural Households

Rural economy is widely diversified from what can be gathered from the rural activities of the local households. Most of the family heads work in agriculture. Land is scarce and production is limited, but even though agriculture is the main activity of the household units.

The current conditions for land holding indicated that the families own small pieces of land (see Table 2): 51.9.%.of the households own less than 1 hectare of land. 33.7% own between 1 and 3 hectares and 14.4% own more than 3 hectares.

The agricultural system is mostly rain-fed (secano) and irrigation is limited. Association and cultivation patterns vary among families, however most of the crops grown are potato, corn, broad beans and barley.

The highest percentage of agricultural products such as potato, broad beans and oca are for self-consumption by peasants. Following in importance is the fact that part of the product is for seed and exchange purposes. However, potato is the agricultural product for income generation in Cunya and Chaca, together with the oca and broad beans.

Table 2. Production Characteristics of Survey Household

Households	Communities		Total
	Cunya	Chaca	
1. Farm Size			
< 0.5 hectares	20.00%	39.19%	33.65%
0.5 - 1.0 hectares	30.00%	13.51%	18.27%
1.1 - 2.0 hectares	20.00%	32.43%	28.85%
2.1 - 3.0 hectares	6.67%	4.05%	4.81%
3.1 - 4.0 hectares	6.67%	4.05%	4.81%
> 4.0 hectares	16.67%	6.76%	9.62%
	100.00%	100.00%	100.00%
Total of households	**(30)**	**(74)**	**(104)**
2. Parcels per household			
Average	4.87	6.11	5.75
Variation Coefficient	0.73	0.40	0.50
3. Production 1997-1998			
Corn			
Corn area per parcel (ha)	0.00	0.11	0.11
Corn yield (kg/ha)	0.00	4,736.44	4,736.44
Variation Coefficient	0.00	1.09	1.09
Potato			
Potato area per parcel (ha)	0.34	0.19	0.24
Potato yield (kg/ha)	1,620.18	5,417.47	3,988.79
Variation Coefficient	0.95	1.32	1.51
Oca			
Oca area per parcel (ha)	0.21	0.15	0.16
Oca yield (kg/ha)	4,154.29	4,655.79	4,576.00
Variation coefficient	1.09	1.12	1.10
Beans			
Beans area per parcel (ha)	0.27	0.96	0.11
Beans yield (kg/ha)	506.67	4,875.52	4,726.58
Variation Coefficient	0.51	1.73	1.76
4. Crop Utilization			
Corn			
Autoconsumption	93.58%	81.09%	81.50%
Sale	0.00%	4.25%	4.11%
Barter	0.00%	5.69%	5.50%
Seed	6.42%	8.97%	8.89%
Potato			
Autoconsumption	56.61%	70.91%	64.15%
Sale	8.46%	3.59%	5.89%
Barter	3.42%	2.75%	3.07%
Seed	31.51%	22.75%	26.89%
Oca			
Autoconsumption	82.79%	77.87%	78.85%
Sale	0.00%	2.60%	2.08%
Barter	2.91%	1.58%	1.85%
Seed	14.30%	17.94%	17.22%
Beans			
Autoconsumption	84.22%	64.77%	65.43%
Sale	0.00%	17.49%	16.89%
Barter	2.16%	6.90%	6.74%
Seed	13.62%	10.85%	10.94%

Source: Survey to peasant families, January 1999.

Estimates for the income compostition show the relative significance of other income sources. In general, 15% of the income is generated by agriculture, 26% by the processing of agriculture and livestock products, 25% is generated by the sale of animals while 34% represents other income mostly from work done by peasants in other plantations or as hired workers in the urban sector. Taking as reference the value of annual income for the agricultural campaign for the period 1997-1998, it was estimated that in 1994 constant soles, the average annual income per household in Cunya was 350 soles, while in Chaca it was 472 soles. This means that the daily income is an average of 34 cents of a dollar, which shows a poor income rate and a vulnerable economic condition.

The fact that should be highlighted is the significance of the non-farm income as main monetary income source. This is a most significant and basic finding, because when analyzing the investment demands of the households, the support to livestock and agriculture activities will be a main requirement, in proportion to the farmers' perception that these activities must become, as in the pre violence period, the economic basis for their communities. It can be assumed that after the destruction and/or abandonment of productive assets related to livestock and agriculture, paid labor and processing activities, in particular mantle weaving in women-headed households in Chaca, has turned to be the "shelter activity" that provides the largest income source. It is hoped that this allocation of labor may be temporary only until the resetting and improvement in the provision of assets related to agricultural and livestock activities.

5.2.- Trends in the State-Community relation

In the analysis of reconstruction of those areas affected by political violence, the way in which the relation State-Rural community is accepted becomes a key issue.

Even within a gross characterization of the above issue, it seems that the peasants' perception of the State before the Agrarian reform and the political violence, is that of an almost non-existing, distant or absent State.

During the time when the haciendas were operating, the landowner set up a paternalistic relation that in some way replaced the State image. The crisis that affected the haciendas gave way to a gap of power that the organization of the rural community could not fill in. It was exactly because of this situation that Sendero Luminoso (Shining Path) began to expand its control in the rural areas.

Paradoxically, it is when terrorist groups started to act when the State began to act in a more visible and direct way through the armed force and the police, in an attempt to recover the missing order and lost authority. We find that the relation is then one of confrontation, repression and cooperation, in particular when the decision is made to support the rural self-defense committees. With the pacification and rehabilitation actions, a new phase for negotiating with the State is opened. The access for citizens rights and social and productive infrastructure works appear to be the main demand and expectation for the rural population in their current relation with the State, and the rural community and the municipality become the institutions in charge of articulating the demand.

In this regard, it is interesting what De Degregori, Coronel and del Pino (1998:6) have to say on the subject, as follows:

> "In the rural area of Ayacucho the State seem to be distant but it was not completely unaware; it was oppressive and abusive but not totally excluding, in particular during the last decades, when opportunities were opened for an incipient transit from servitude to citizenship.
> More than isolating from the State or building an alternative one, the rural people in Ayacucho want to continue opening a way in that direction. Thus, for instance, even in the worst wartime, in a precarious way and with diminished power, many of the municipalities continued working (...) We believe it necessary to add that with the municipal elections, the State encouraged political democratization and opened a new dynamism within the micro geography of power. The increased municipal life is since then an intermittent, accidental, and incomplete progress towards citizenship."

5.2.1.- Reconstruction in the Rural Communities: The Government's role

During the 1990s, with the positive results of pacification in Peru, the internally displaced people have started to return to their places of original residence. This is given

mainly in the highlands in the central and southern Andean region and the ethnic minorities in the jungle areas. In 1993 the government created the Programa de Apoyo al Repoblamiento (PAR), thinking to invest approximately US $126 million during the period 1996-2,000 (Daily Expreso, 17 May 1996). The information available on the cost of the projects implemented in the emergency areas records US $ 29'471,386 for the period 1993-1998. Of this, 71% was used for the creation of social infrastructure and 29% was used for projects and productive infrastructure (PAR, 1998).

In the specific case of Ayacucho the actions implemented by PAR during the period 1995-1997 recorded an investment amounting to US $ 15´724,400 of which 22% was used to support education, health and sanitation works; 11% was used to promote agro industrial activities: 29% for housing building and improvement of house, and 31% for transportation works (Compendio Estadístico PAR, 1997).

One of the features of the 1990s is that those spaces left behind by Sendero Luminoso (Shining Path) and the armed forces are being filled by the active presence of government agencies and NGOs (non-governmental organizations).

In Ayacucho there are about 30 NGOs, as well as government organizations such as: *Defensoría del Pueblo* (Ombudsman), FONCODES (National Social Funds), *Programa de Apoyo al Repoblamiento PAR* (Support Program for Repopulation), *Programa de Infraestructura de Tranporte y Caminos Rurales PERT* (Transportation and Rural Road Infrastructure Program), *Proyecto Nacional de Asitencia Alimentaria PRONAA* (National Food Support Program) and the *Proyecto Nacional de Manejo de Cuencas Higrográficas y Conservación de Suelos PRONAMACHCS* (National Project for River Basin Administration and Preservation of Soils).

Which are the limitations of this entire aid and resource transfer scheme for the conflict areas? In this regards, Palmer (1998:14) states the following:

> "The peril is that while the government agencies are in some cases autonomous, they represent the initiatives from the central government and can be adjusted according to the priority changes that may be adopted by the authorities in Lima. **For the government agencies the system continues to be a very centralized**

one, while for the NGOs it is most dependent on the external aid sources. In other words, almost all of lack a firm capability for the generation of resources or local spaces in a continued and sustainable way." (The highlighting is ours).

When Anyosa (1996) assessed the performance of the Programa de Apoyo al Repoblamiento (PAR) in Ayacucho, it found that those areas benefited by the program are located in the valley, near the highway and very transited areas, and that the communities located in the highlands where larger rural poverty rates are concentrated had been excluded. Besides, there seems to be a social and economic differentiation in the communities, because the aid might have been provided to the rural leaders who are actually the least poor in the area.

5.2.2.- Institutional Relations

Through the workshops it was possible to know those institutions that promote development activities. The most important one is the community, where its president and other authorities coordinate with the other institutions. In general, it is the community president who takes the lead for requesting services from the various institutions. The institutions do not approach voluntarily the communities, as they should, PAR in particular. In the community of Chaca, they stated that the PAR officers visited their community, “only after our very strong request”.

The relation and coordination among institutions helping for rehabilitation is limited. This includes government programs and NGOs. The people in Cunya said, “Other institutions such as NGOs and PAR do not coordinate their actions and each one takes its own way.” Following in importance are those NGOs working in the areas, that offer credit in the form of animals, seeds and cash money, for actions related directly with the reconstructing basic economy for the households.

The government agencies providing health, education and security (the army) are less important for the rural families. The same is the case with the municipality that provides food assistance when requested by the community.

Inquiries were made about the families belonging to some of the various institutions. The main participation activities are at the level of community assemblies, farming labor, mothers' clubs, parents associations and the resistant activity known as "ronda campesina"[5]. In general, the participants trust very much their organizations, thus channeling properly the external aid (links with the government, municipalities, NGOs and churches) and to organize the internal resources.

5.3.- Demand for Investment in Areas Affected by Political Violence

This section shows the findings of the survey and of the workshops related with the accuracy of the investments made and the demand for future investments.

With regard to investments made during the period 1997-1998 the main ones according to the invested amounts, are as follows (see Table 3):

- 28.5% went to housing; 21.4% of the total investment was spent on roads and bridges; 19% on permanent crops; 10% on reforestation; and 9% on the purchase of cattle.

An important element is to know the sources of such investment, which structure is as follows:

- Family savings 48%; Community contribution 30%; Non-government organization contribution 18%; Family loan 3%; Government support 1%.

In average, 81% of the investments were financed with the households own resources, 19% came from sources external from community economy in which the government contribution amounts only to 1%. This gives us information that the economic reconstruction efforts are carried out basically with the income and savings of the rural families.

[5] "Ronda" is the term used to refer the group of civil peasants in charge of the community´s security.

Table 3. Amounts of Investment According to Source of Funds for Crop Year 1997-1998 (In New Soles)

Investment and improvements	Total Cases	Family Savings	Community	Foncodes	Government	Family Loans	Total Amount in soles
Home construction and improvements	44	2,292		10	300	165	2,767
Soil improvement	3	39					39
Roads and Bridges	19		1,921				1,921
Retaining Walls	26	312					312
Perennial Plantings	10	1,610		9	100		1,719
Training Courses	14		10		200		210
Purchase Dairy Cows	7	800			580		1,380
Reforestation	22		440		450		890
Nurseries and Seedbeds	16	4	300			150	454
Total Amount	**161**	**5,057**	**2,671**	**19**	**1,630**	**315**	**9,692**

Source: Survey to peasant families, January 1999.

Government action has been crucial for the provision of public services and goods related with the creation of infrastructure such as 1) construction, road improvement or enlargement; 2) better coverage and access to education (schooling); 3) health (medical post); 4) installation of public water and electricity services; and 5) security through the pacification effort of the army and the rural communities organized in rural “Rondas”.

It is identified that the challenge for the State role is like going from emergency after pacification to a new scenario of interventions for the promotion of local development.

From the results of one of the workshops it is possible to know the demands for future investment of the communities under study.

For the case of the “resistant” communities in Chaca, future investments in priority order should be: 1) Installation of public lighting service, 2) sewing workshop, 3) parabolic antenna, 4) house-building, 5) irrigation channel and 6) agricultural tractor.

In the case of the community in Cunya, the order of priorities for future investments is: 1) purchase of improved breeding cows to reactivate livestock breeding, 2) house-building, 3) installation of domiciliary lighting services, 4) ironwork and carpentry workshops, 5) reforestation with eucalyptus and cypress trees, 6) demand for improved seeds, 7) road construction into the jungle, 8) purchase of improved lambs, 9)

training through specialized courses in agricultural and livestock production, 10) construction of an oven, and 11) construction of an irrigation channel.

As to who would finance the works, the families expect to receive the cooperation of government and municipality programs for public works, and the NGOs support for those projects involving the rural households.

It can be seen that, in general, the communities will contribute with labor and with the time for the paperwork required at those agencies responsible for work execution.

With regard to investment structure, the importance of the rural community as an inter relation space where productive investments are generated and implemented is being highlighted. The community is assumed to be the resource administrator. Communities should in the first place be understood as the institutional expression of household units, who want to solve problems and have their determined and to be determined interests prevailing through it. Community content is defined by means of the resources under its control (Mossbrucker, 1990:100).

In general, from the analysis of investment demands by rural families, it can be seen that it is a combination of demands focused to income generation (improved agricultural, livestock and non agricultural rural activities). On the other hand, the request for urbanization is also evident. “If in the past the peasants were looking for engineers to outline the designs of the territory of the community in order to be able to request its legal recognition, today they request designs to provide their small towns with urban features and try to obtain running water and energy services. Besides, the access to services improves the defense possibilities for the urbanization and offers more possibilities for access to information (Degregori and Coronel, 1998:33). It is expected that access to all these public goods and services will improve living conditions and welfare for the rural families.

5.4.- Rural Community Assets

In Diagram 1 a relation is proposed between the political violence and its impact on the quantity and quality of the assets. With this approach in mind, the main findings can be summarized with regard to demands and strategies of the families by type of asset, as follows:

COMMUNITY HOUSEHOLDS DEMANDS AND STRATEGIES PER TYPE OF ASSET AS RESPONSE TO POLITICAL VIOLENCE

TYPE OF ASSET	COMMUNITY STRATEGIES AND DEMANDS
Human Capital	- Case of returning community, through urban experience they are more open-minded for changes in the traditional crop pattern: they experiment with green vegetables. An external aid project (NGO). Besides, they decided a change to a new religion, a fact that modifies their perceptions and values, as for instance they decided not to adore the highlands, they eliminate liquor drinking and they do not ill treat women anymore. - Demand for education services, 30% of family heads never went to school and health. They demand training courses in agriculture and livestock. - They prompt and expect Government to build houses with access to water and electricity services. A more urban pattern is being identified for reconstruction in the communities. - Access to new and improved communication means permits more integration with the markets and rapid access to information. The rural children are studying in the city of Huanta and they aim to become professionals.
Productive Capital	- Facing livestock death and agricultural stagnation, they request access to credits to reactivate both activities that are crucial for household income. - Demand for reforestation and recuperation of land productive capacity. In the case of the resistant families, the land is reallocated among the families still remaining in the communities. - Despite the shortage of productive assets to carry out rural non-agricultural activities (agro industrial processing or craftworks), these activities remain as the main source of money income for women-headed households in the community of Chaca. - Significant demand is detected for traditional inputs, which joined

	to poor education levels explains the low income and agricultural yields.
Political Assets	- Change in the State-Community relation. From a distant and/or absent condition during the pre violence period, a repressing State during the conflict to currently a State that provides public services and goods. - Access to identity documents, as a means to recover their citizens' rights that were restricted during the political violence time. - Links with district municipalities to accede to public resources, in some cases the rural leaders are part of the local government. - They redefine the role of the State, demand security and advise to keep the Rural "Rondas" and ammunitions.
Social Capital	-Relation with public and private institutions (NGOs and churches) to request social infrastructure works. Lack of coordination and duplicity of roles is being detected. - The rural community is consolidated as a key institution for the coordination of rehabilitation and reconstruction actions. - A reciprocal relation within the community allows the financing of productive infrastructure works such as roads, bridges and channels. - In the case of returning families, the links with the family members that remain in the city are maintained through the remittance of money or goods. - A feeling of discrimination as highland communities victims of political violence. Most of the population is indigenous people, and 96% have quechua as their mother tongue.

This chart was prepared on the basis of findings of the workshops with rural families in Ayacucho in February 1999.

What can be concluded from this section is the demand for improved human, productive and social capital together with political assets. In order to meet these submitted by the affected population, some of the elements will be developed in the next section starting from the proposal for effective decentralization.

6. Effective Decentralization: Particular Details for the Rural Areas

In this section we develop the results of the interviews held with the major of the province of Huanta and the major of the district of San José de Santillana, the two rural municipalities in the locations of the communities under study.[6]

6.1.- Rural Municipalities: The province of Huanta and the district of San José de Santillana

1.- The services offered by the municipality are: 1) the promotion of productive agriculture and livestock activities. 2) Supply of basic services as water, drainage and public lighting. 3) Delivery of health and education services. 4) Execution of road integration programs.

The municipality is seen not only as an instance for the provision of services, but it has turned to be an instance for the promotion of development in its relevant area (Apel, 1998).

The major of Huanta emphasized his concern for investment in agricultural and livestock activity considered to be the main activity in that area. Therefore, one of his priorities was to look for internal or external resources. The major's diagnosis keeps a relation with the prompting and demands for productive investments made by the households, as mentioned in the former section.

2.- Income sources: there is a strong dependency on central government transfers. In the case of district of San José de Santillana, the major affirmed that approximately 10% of the income comes from self-owned sources, thus they depend mostly from the central government transfers. Clearly, the endemic poor condition that characterizes these areas constitutes the main restriction for the autonomous generation of income. From the data for the collection of taxes nationwide it was found that for the period 1994-1998, Ayacucho contributed with 0.1% of the total amount (SUNAT, 1999).

We quote Gonzales (1997:24), in the analysis of taxation decentralization, as follows:

> "The first problem to be considered is the extreme disparity existing for taxation among departments which makes fiscal correspondence difficult, that is financing local public expenditure without the need for transfers from the central government."

Ayacucho is one of the poorest Departments, where legal and effective taxation are very low both in absolute and relative terms. In this situation, it would be expected that based on the subsidiary principle together with equity and fiscal progressiveness, the government may transfer resources to the areas affected by political violence. At this point the key role of public investment should be stressed, as it should be oriented to reactivate regional dynamics of the agricultural and livestock sectors. Public investments are required to provide the material conditions for the rehabilitation of the human and productive capital that were lost or deteriorated as a result of conflict. As explained in the former section, this task is currently performed mostly by the initiative of the families with the support of some NGOs, even with limited financial resources and benefited population. Under such conditions, it cannot be expected that the productive investments made by rural families living in extreme poverty may have the required drive to revert an endemic poverty condition. It is basic then for public investment to create not only social infrastructure, but also a productive one that may permit mainly income and employment generation.

3.- Expenditure allocation: It is true that there is an independent decision on the part of the municipality for allocation of expenses, there is a limitation with regard to the funds for municipal compensation (Law 776): 30% is allocated for current expenses and 70% for investment projects. More flexible measures are expected with regard to the destination of funds for expenses. When reviewing the relative significance of those transfers from the municipal compensation fund, it was found

[6] In April 1999 interviews were held with Mr. Milton Cordova, Major of the province of Huanta, and Mr. Feliciano Medina, Major of the district of San José de Santillana.

that for the period 1996-1998 it went up to 85% of the total transfers made by the central government for the Department of Ayacucho (Ministry of Economy and Finance, 1999). This is a clear sign of how important the fund from the Central Government to the areas studied is.

4.- Relationship with public and privet agencies: A serious institutional limitation is reflected in the lack of coordination a role duplication. Investment decisions are planned in Lima and they do not adapt to the local needs. It can be seen here that "decentralization" in practice assumes more the features of a deconcentration, due to the lack of local participation in decision-making. Given the conditions of the study areas, the recommendation is that spending should be decentralized, trying to avoid competition among public agencies and the municipalities in what reconstruction works are concerned.

5.- Need for a concerted development plan that may guide the productive investments in the area. The key sectors for supporting basic economic development are: expansion of agriculture and livestock activities, looking for the integration of the regional and external markets. For this it is indispensable for the municipality to have a strategic development resulting from a general vision nationwide. On this regard, the municipality of Huanta has a document titled "Plan for Concerted Development", where the future vision for Huanta for the next decades until year 2016 is developed.

6.2.- What is Missing to Carry out a Decentralization Program?

Three significant limitations have been identified:

1.- Central government political will: Following the explanation given by O'Neill (1998), it is not very much feasible to expect a proposal for effective decentralization given the circumstance prevailing in Peru at present. That is why current government actions are framed within the disconcentration of administrative roles from the central offices, which are now located in those areas affected by political violence, but with a limited participation on the part of the local governments in decision-making regarding investments. Therefore, municipalities do not receive transfers for the resources they

need to carry out a proper reconstruction program that may take into account the demands of the affected groups. Apel's (1998: 92) comments on this issue are as follows:

> One of the main obstacles for the various efforts to attain decentralization, is the limited political will of the central administration to provide resources and power to minor spaces. It would seem that the government will prevails with regard to an atomized regional scenario, as even through direct coordination between some of the majors with the central government, in particular with the Ministry of the Presidency, can better results be obtained in the short term."

2.- Training and access to information: From discussions with the majors it was learned that they need trained staff to implement a decentralization proposal.

For instance they need specialized advice to prepare investment projects, they need professional support for an adequate diagnosis of the areas. They need to improve also their management capability as well as coordination with both private and public agencies.

3.- It is necessary to promote local participation in municipal management, and the rural community might be an adequate interlocutor considering that they are the link among the households, the State and the private institutions as the NGOs and the churches.

6.3.- Decentralization Advantages in Areas Affected by Political Violence

Why is an effective decentralization proposed for the areas affected by political violence? The advantages would be as follows:

1. It allows prompt identification of local problems and potentialities. "The local governments are closer to people, and it's the major and the local government on whom the population demands are centered, and they are who know the problems at roots and can solve them properly who " (Interview with the major in the province of Huanta, April 1999).

2. It reduces information costs starting from a fluid coordination among development agents, thus avoiding role duplication and saving time and resources.

3. It encourages local population participation by improving access to local knowledge and the people assume responsibilities in development interventions.
4. It creates transparency and control mechanisms for resource use. This is basic to avoid corruption and to guarantee timely and efficient use of the funds transferred by the central government.

7. Conclusions and Recommendations

The objective of this paper was to list the changes that took place in the rural community-State relation, starting from a survey carried out in two communities in Ayacucho, one of resistant people and the other of returning people, having both communities been affected by political violence. To this end, the fieldwork carried out by the author during the months of January and February 1999 in the highlands communities in Chaca and Cunya in the province of Huanta in Ayacucho. The key question to be answered was: Which should be the role of public policies, and in particular that of fiscal and administrative decentralization, in the economic and social reconstruction of those areas affected by political violence, bearing in mind that we are considering Peruvian regions that are “structurally” poor and have been left behind?.

For this the following hypothesis was posed: “The effects of political violence in rural areas have exacerbated poverty through the deterioration or destruction of the human, productive and social capital. The reconstruction efforts would be more effective if those actions might be accompanied with a decentralization process in public expenditure, with local participation in funds allocation, under the criteria of using a development strategy that may identify those economic sectors that are key to reconstruction.”

In order to identify the relevancy of this hypothesis, the analysis was two-fold at the micro level, considering the problems of the affected families within the approach of assets and vulnerability; and at the macro level, placing the decentralization proposal as the articulating axis in the new State-Rural Community relation.

Counteracting Sendero Luminoso’s (Shining Path) actions in the rural areas, starting

with the pacification and rehabilitation measures, meant the direct presence and intervention of the State in those communities affected by political violence. The State that had been distant or absent from these areas for several decades, made an important offer for infrastructure works and public services to be implemented in areas that had been left behind in the past with regard to these type of government interventions. In the case of highlands communities in Chaca and Cunya, it has been seen that even when rehabilitation works are on board still serious problems can be detected in the coordination of interventions by the responsible actors, whether public agencies or NGOs.

In general, when analyzing the investment demands made by the rural families it could be gathered that it is a combination of demands some of which are oriented to income generation (improved agricultural and livestock activities and non rural agricultural activities). On the other hand, is it evident that they demand also urbanization works. With regard to the agents that may finance the works, the families expect the support of government programs and the municipality for public works, and the support of the NGOs for those projects involving the rural family as a whole. It can also be seen that the community contribution is labor and the time for the required paperwork at the relevant bodies responsible for the implementation of the public works.

With regard to investment structure, the importance of the rural community is highlighted as the inter relation space where productive investments are generated and carried out. The community is considered to be both the resource administrator and the interlocutor with the State.

Bearing in mind that one of the effects of political violence has been the exacerbation of poverty through the destruction or degradation of part of the productive, human and social capital of the rural families, a key question to be answered is: How should the effort to overcome poverty be focused in these areas? It is a very complex issue, and this study has largely emphasized the economic conditions for reconstruction. What appears to be a basic fact is the role of public investment to speed reconstruction, and then it is also important to assess the

“quality” of the investment, in terms of the effective impact in the options for the reactivation of economic development in the affected areas and to get into a stage of sustainable growth and development. The general impression, starting from the information gathered in the communities of Chaca and Cunya , is that the simple creation and provision of social infrastructure is a valuable achievement and access for the rural families, but it is not in itself a guarantee that a sustainable improvement in the living conditions of these families will be attained. For the latter it is crucial to have a very good policy of productive investments oriented to increase the provision in quantity and quality of productive assets for the reactivation of agriculture and livestock, which are the basic and main activities of the households in Huanta.

A general conclusion, considering the decentralized government programs in Ayacucho, is that Peru is going through a deconcentration process, by which the central government transfers responsibilities and resources for the provision of goods and services to their local or regional offices, without this meaning a transfer of power or administrative autonomy at the local governments level. This situation would hinder improvement in access and coverage for goods and services by those living in a location, and also limiting their options to participate in the local management and government.

It is necessary to discuss the effectiveness of public investment when the instances or spaces for local participation in resource allocation are not created. Therefore it can be stated that increased public investment or spending is not necessary or enough to reach local development if the objectives and goals to be achieved are not accurate and clear. An increase in capital stocks or assets is not a guarantee that production will be increased, if the characteristics and demands of the local supply are not known.

How should public transfers be channeled? It is expected that in the framework of an effective decentralization program, translated into a decentralization of public spending, the conditions for an efficient allocation of resources for rehabilitation be created based on a clear definition of a development strategy. The advantages of this

proposal is that it identifies promptly the local problems and potentialities, it encourages local participation in municipal management, reduces the information costs through the effective coordination between public and private agents thus avoiding role duplication. The local governments would be financially independent, creating transparency and control mechanisms for the use of the resources. However, limitations are being identified for the implementation of this proposal. The most important limitation is the political will of the central government. In those municipalities included in the study problems were detected in issues regarding staff training, restrictions in access to information and a weak promotion of local participation in municipal management.

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