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Social Capital as a Factor in Indigenous Peoples Development in Ecuador

August 2003



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The World Bank
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Environmentally and Socially Sustainable Development Department (LCSES)

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Cover photos (clockwise, from upper left):

Community work brigade (*World Bank*)

Indigenous girl (*World Bank*)

Working session with project implementing team (*World Bank*)

Interview with community member (*Carla Avellan*)

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Abbreviations and Acronyms

CARE	Cooperative for Assistance and Relief Everywhere
CODENPE	Council for the Development of the Nationalities and Peoples of Ecuador <i>Consejo de Desarrollo de las Nacionalidades y Pueblos del Ecuador</i>
CONAIE	Confederation of Indigenous Nationalities of Ecuador <i>Confederación de Nacionalidades Indígenas del Ecuador</i>
CONFENIAE	Confederation of the Indigenous Nationalities of the Ecuadorian Amazon <i>Confederación de las Nacionalidades Indígenas de la Amazonia Ecuatoriana</i>
CONPLADEIN	National Council of Planning and Development for Indigenous Peoples and Afro-Ecuadorans <i>Consejo Nacional de Planificación y Desarrollo de los Pueblos Indígenas y Negros</i>
FAO	Food and Agriculture Organization (UN)
IAF	Inter-American Foundation
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
INDA	National Institute for Agrarian Development <i>Instituto Nacional de Desarrollo Agrario</i>
LCSES	Environmentally and Socially Sustainable Development Unit (of the World Bank's Latin America and Caribbean Regional Office)
NGO	Nongovernmental Organization
OD	Operational Directive (World Bank)
OSG	Second-tier organization <i>Organización de segundo grado</i>
PRODEPINE	Indigenous and Afro-Ecuadoran Peoples Development Project <i>Proyecto de Desarrollo de los Pueblos Indígenas y Negros del Ecuador</i>
SENAIME	National Secretariat of Indigenous Affairs and Ethnic Minorities <i>Secretaría Nacional de Asuntos Indígenas y Minorías Étnicas</i>
SIISE	Integrated System of Social Indicators for Ecuador <i>Sistema Intergrado de Indicadores Sociales de Ecuador</i>
UNESCO	United Nations Educational, Scientific and Cultural Organization

Introduction

In the early 1990s the World Bank launched its Indigenous Peoples Development Initiative in Latin America and has been working ever since to open new and innovative avenues of support for indigenous peoples development. Initial efforts focused on mitigation measures, training and capacity building, and pre-investment operations. Gradually, indigenous peoples development is becoming an integral part of the Bank's loan portfolio.

Ecuador's Indigenous and Afro-Ecuadoran Peoples Development Project was the direct result of this initiative. Furthermore, as indigenous people in Ecuador often point out, local conditions for such a project were right in terms of both the level of organization of indigenous peoples and the readiness of the government to enter this uncharted territory. In fact, the major national indigenous federations claim that the project was the result of their long struggle for recognition of the rights of indigenous peoples, including their right to a fairer share of fiscal resources.

The project is the first stand-alone investment operation financed by the World Bank that focuses exclusively on indigenous peoples and other ethnic minorities. It is the first time that Ecuador borrowed resources specifically for investments to benefit poor indigenous and Afro-Ecuadoran populations, channeling resources directly through indigenous organizations with only a minimal role for the government. It is also the first time that indigenous federations and the Ecuadoran government have joined forces in an effort explicitly based on putting into practice the vision of "development with identity," or "ethnodevelopment." This vision builds on the positive qualities of indigenous cultures and societies—such as their

sense of ethnic identity, close attachment to ancestral land, and capacity to mobilize labor, capital, and other resources for shared goals—to promote local employment and growth. It is an effort to build social capital as an asset of the poor, while at the same time working directly with that asset.

This is a complex project, with an arduous preparation and implementation process that illustrates some of the difficulties of taking certain parts of the social capital argument seriously. The project has found that strengthening existing organizations is not easy, that building coalitions and alliances takes a great deal of time, and that often these alliances are fragile and short lived. Nonetheless, this project has become a flagship for other initiatives trying to foster community-based approaches that emphasize the notion of poor people having assets, as opposed to only deficits (World Bank 2001).

Because the Bank is still building its knowledge and experience in this field, it is essential to share information and lessons learned from actual operations carried out in partnership with indigenous peoples and their organizations. This study attempts to distill lessons from the preparation and initial implementation of the Ecuador Indigenous and Afro-Ecuadoran Peoples Development Project. It draws heavily from a working paper previously published by the authors (Van Nieuwkoop and Uquillas 2000).

It is worth noting that the project was designed around concepts such as participation and self-managed development. These concepts were being discussed in some sectors of the World Bank in the 1990s (for example, see Davis and

Soeftestad 1995). Other concepts, such as social capital, culture in sustainable development, social exclusion, and community-driven development have become fashionable at the turn of the millennium and therefore are briefly reflected in this work (Carroll 2003).

The Indigenous and Afro-Ecuadoran Peoples Development Project invests in local capacity building, small-scale demand-driven rural sub-projects, land tenure regularization, cultural heritage activities, and institutional strengthening of the Council for the Development of the Nationalities and Peoples of Ecuador (*Consejo*

de Desarrollo de las Nacionalidades y Pueblos del Ecuador, CODENPE).

The total project budget is \$50 million (\$25 million from the World Bank, \$15 million from the International Fund for Agricultural Development, and \$10 million from the Ecuadoran government and beneficiary communities and organizations. The project was prepared beginning in early 1995, approved in early 1998, and became effective in September 1998. Implementation was completed in April 2003. A second phase is being prepared during 2003 and is expected to become effective in early 2004.

The Emergence of Indigenous Peoples as Political Actors in Ecuador

Socioeconomic profile

Indigenous peoples and Afro-Ecuadorans are important parts of Ecuador's multicultural society. They differ from the mainstream Hispanic (white and mixed or mestizo) population both in their degree of economic deprivation, their high level of social capital (particularly among indigenous peoples), and their cultural and social characteristics.

Indigenous and Afro-Ecuadoran peoples together represent almost 30 percent of the population, although estimates vary widely.¹ There are 13 officially designated, non-Hispanic ethnic groups or nationalities in Ecuador.² The largest nationality comprises the highland Quichua-speakers (also known as the Runa) who constitute more than 90 percent of Ecuador's indigenous peoples. However, the Quichua or Runa themselves are culturally diverse, as demonstrated by the contrasts between subgroups such as the Otavalo and Saraguro, or the Chibuleo and Cañari peoples.

1. Indigenous organizations often give higher estimates (about 40 percent of the total population), while Ecuador's Integrated System of Social Indicators (SIISE 2003) puts the figure closer to 10 percent on the basis of census data.

2. Indigenous peoples in Ecuador prefer to be designated as "nationalities" or "peoples" rather than "ethnic groups." The first two terms imply having standing as a nation, and a broad range of rights established in United Nations instruments and the International Labour Organization's Convention 169. Non-Hispanic nationalities in Ecuador are: Runa or Quichua, Shuar, Huao, Siona, Secoya, Cofán, Huancavilcas, Manteños, Punaes, Chachi, Epera, Tsáchilas, Awa, and Ecuador's Afro-descendant population.

Many indigenous people have moved to urban areas and in some cases have become assimilated into the dominant mestizo society. However, in rural areas they have tended to maintain their distinct identity. Ecuador's rural population of indigenous peoples and Afro-Ecuadorans is concentrated in 288 of the country's 966 *parroquias* (parishes, the smallest division in the country). This segment of the Ecuadoran population, more than 1.5 million people, has the country's highest indices of poverty measured both in terms of income and unsatisfied basic needs. By the early 1990s, 35 percent of Ecuador's population lived in poverty and another 17 percent was highly vulnerable to poverty.³ Overall, the relationship between poverty, household characteristics, and social indicators varies considerably both across and within regions and areas. Urban poverty is associated with low educational achievement, employment in the informal sector, rented housing rather than home ownership, and low rates of participation in the labor force by women. Rural poverty is associated with lack of education, little access to land, a low degree of market integration, and lack of employment in the vibrant nonfarm rural sector (World Bank 1998).

The World Bank's 1995 poverty assessment for Ecuador also found that poverty and ethnicity are closely correlated both in rural and urban areas. Households in which an indigenous language is spoken are more likely to be poor than are Spanish-speaking households,

3. The 1998 financial crisis and its aftermath, however, have aggravated poverty. By 1999, 55% of the population lived in poverty (40% of the urban population and 76% of the rural population).

and strongly indigenous cantons are worse off with respect to a wide variety of social and service variables, such as education, nutrition, water, and sewerage. In parroquias with an indigenous majority, the poverty rate (including those highly vulnerable to poverty) is approximately 85 percent. This is 14 percentage points higher than the rural average, and 32 percentage points higher than the national average.

The indicators of socioeconomic development in Ecuador, when disaggregated, show important geographic, residential (rural/urban), gender, and ethnic dimensions (tables 1 and 2). Thus, poverty is concentrated in certain *cantones* and *parroquias* of the coast, highlands, and Amazon regions; rural people are in general poorer than their urban counterparts; women are at more of a disadvantage than men; and both indigenous peoples and Afro-

descendants are at the bottom of the social ladder. In sum, resources (including public goods and services) are unequally distributed.

Levels of social organization

In general, indigenous peoples in Ecuador suffer from economic deprivation, but are well endowed in social capital (for example, organization, solidarity patterns, and shared social and cultural values). They are well organized at the grassroots, regional, and national levels. Their forms of organization vary. In some cases they are principally organized along the lines of political parties and labor unions, in others by religious affiliation, and in still others directly by ethnic affiliation. This diversity of origins and organizations has caused friction among regional and national federations, particularly after the 1998 Consti-

Table 1. Children Living in Poverty, by Demographic Group

<i>Demographic group</i>	<i>Percent of children under 18 living in households with income below the poverty line (\$28/month)</i>
Indigenous	79
Afro-Ecuadoran	68
White-Mestizo	61
Female-headed household	66
Male-headed household	62
Coast	64
Highlands	60
Amazonia	70
Urban	52
Rural	79

Source: SIIS 2001

Table 2. Illiteracy Rates, 1999

<i>Sector</i>	<i>Illiteracy in population older than 14 (percent)</i>		
	<i>Female</i>	<i>Male</i>	<i>Total</i>
National	13	9	11
Urban	7	4	6
Rural	23	15	19
Indigenous	53	31	43

Source: SIISE 2001

tution elevated the legitimacy of ethnic-based organizations. However, they all are part of a vibrant social process that is contributing to the revitalization of the indigenous identity and leading to the formulation of new perspectives on indigenous development.

Organizations along ethnic lines were recognized during the Inca Empire. The *Conquistadores* tried to dismantle and destroy these organizations, and during colonial times community-based organizations were used by the Spaniards to wring taxes and labor from the indigenous population. However, the organizations persisted, and in the period following Ecuador's independence they were known as *parcialidades indígenas*. With approval of the *Ley de Organización y Régimen Comunal* in 1937, many organizations were formally recognized and became known as *comunas*. The 1964 *Ley de Reforma Agraria* as well as subsequent reforms in 1973 also specifically recognized the *comunas* as an element of Ecuadoran society.⁴ Originally *comunas* were managed and held land resources jointly, but in recent years there has been a trend toward individual land ownership. However, contributing labor for community enterprises (*mingas*) is still common, especially for small infrastructure projects.

There are about 2,500 grassroots indigenous organizations (communes, centers, and cooperatives) at the community level. By 1998 these community-level organizations had formed about 250 second-tier organizations (*organizaciones de segundo grado*, or OSGs). The OSGs may be considered associations, unions, or federations, and frequently are affiliated with provincial, regional, and national organizations. Many of the OSGs have been created or promoted initially by activist church groups and sympathetic NGOs (Carroll 2003).

4. The agrarian reform process stimulated the organization of indigenous peoples so as to either facilitate their access to land being redistributed or to recognize their ancestral possession.

Grassroots indigenous organizations are distinguished by features such as their members' sense of belonging to a community, communal territoriality, their own system of government, solidarity through collective works, and joint celebrations and communal calendars.⁵

The first effort was to build community-level organizations, which in turn organized into higher-tier associations or local and regional federations in a pyramidal scheme, ending with the formation of national federations. Illustrative of this trend is the case of the Shuar, who in the early 1960s organized at the community level as "centers," then formed second-tier organizations called "associations" and these in turn created the Shuar Federation. The Shuar Federation joined other ethnic federations in the eastern lowlands to form the Confederation of the Indigenous Nationalities of the Ecuadoran Amazon (CONFENIAE), which in turn joined with highland and coastal federations to organize the Confederation of Indigenous Nationalities of Ecuador (CONAIE). The topic of induced social capital and the indigenous federations, including the case of Guamote in Ecuador, is discussed at some length in Bebbington and Carroll (2000) and Carroll (2003).

In a long and arduous process over about four decades, indigenous organizations have become more complex and have also broadened their agenda. They still try to strengthen their own social organizations and secure land for communities that lack access to it. Yet their

5. The Afro-descendant population in Ecuador has less formal organization than the indigenous population. The main organization for most Afro-Ecuadorans is at the community or grassroots level (commune, compound, cooperative, committee, and peasant union), and only recently have they begun to form more complex organizations. The main features of grassroots organizations are a sense of belonging, a recognizable territoriality, certain forms of self-government, and calendars of celebrations. Grassroots organizations are formed more through real or ascribed family networks than as community societies.

struggle has led them to question the basic political structure of the country and the development model being implemented. Today they advocate a peaceful transformation of the country, eliminating corruption at the highest levels, maintaining state control of key national strategic assets such as energy, oil, and communications, and giving greater voice to social organizations representing the poor.

Indigenous organizations have become stronger and are increasingly recognized as significant actors in Ecuadoran development and politics. In the 1980s, while Latin America as a whole suffered a recession, indigenous peoples strengthened their social capital. In the 1990s they have advanced further and participated successfully in local, regional, and national politics. As a result, by the beginning of the new millennium there were several indigenous legislators in the National Congress, one of whom recently became the first indigenous woman to hold the office of Vice President of the Congress. In the May 2002 elections, the Pachacutik Indigenous Movement and their

allies gained control of 26 municipalities (12 headed by indigenous mayors) and increased their representation in the municipal councils (*consejos cantonales*) and juntas parroquiales. They have built on the experience of Guamote, a municipal government controlled by indigenous peoples since 1992, which has evolved into a model of indigenous governance (*poderes locales*) (for details, see Bebbington and Carroll 2000, 12–18). Guamote has been able to coordinate actions among its local indigenous federations, have a municipal government under indigenous control as well as a local development committee, and create a unique indigenous law-making body called the “Indigenous Parliament” (see report on Guamote in Carrasco and others 2000).

On top of these gains, in January 2003 an alliance of the Pachacutik Indigenous Movement and other center-left political parties succeeded in electing Colonel Lucio Gutierrez as President of the Republic, and he in turn appointed several indigenous leaders to high-level government offices, including ministerial posts.⁶

6. Nina Pacari became the new Minister of Foreign Relations, and Luis Macas the Minister of Agriculture.

Public Policy Environment in Ecuador

Indigenous peoples policies

Although government policy regarding indigenous peoples still is not clearly defined and has numerous ambiguities, certain general trends may be distinguished. Since the creation of Ecuador in 1830 attempts have been made to integrate indigenous peoples into the general society. However, these efforts usually promoted acculturation without concern for preserving indigenous peoples' cultural identity, and furthermore certain forms of social exclusion often persisted, such as restrictions on collective indigenous private property, citizenship rights (for example, not allowing illiterate persons to vote or be elected), land ownership, and the right to maintain their own forms of government.

Since the 1980s there has been a gradual shift toward greater openness to the interests and demands of indigenous peoples. Although agrarian legislation has many gaps, significant progress has been made in acknowledging indigenous land rights. Bilingual education has been legitimized, with autonomous management by indigenous organizations. Opportunities have been created for the training and legal recognition of second- and third-tier organizations, from community associations to provincial federations to regional and national organizations. The 1998 National Constitution states that the country is multicultural and recognizes a broad array of collective rights for self-identified indigenous peoples and nationalities, clarifying previously recognized rights to ancestral lands and separate forms of cultural identity and self-governance, including the establishment of indigenous "jurisdictions." Moreover, processes have definitely begun that will allow the inclusion of indige-

nous people in national society, within a context of cultural diversity.

Rural development policies

Historically, development interventions in Ecuador have been top-down, designed and implemented by government agencies or intermediary nongovernmental organizations (NGOs). Poor people generally have not been active participants in these schemes, despite the fact that they are usually the target population. The assumption was that the design and implementation of projects had to be done by formally trained technicians, that is to say, development experts. Local knowledge and capacity were thus neglected and treated as useless or not relevant for change. The "transfer of technology" concept, which assumed a one-way flow of skills and knowledge, pervaded both governmental and nongovernmental organizations (Uquillas, 1993).

Ecuador's state-led approaches included a wide array of models in line with the interests of international organizations. Among the better-known models is the community development approach, which became fashionable in the 1960s and was supported by the United Nations International Labour Organization (ILO) and the Ecuadoran government. The best-known effort along these lines was the famous Andean Mission of the ILO.

In the 1970s there were other ambitious approaches to rural development, among them the integrated rural development projects and the regional development projects, which usually were associated with agrarian reform and/or irrigation schemes. Some areas of Ecuador, such as Guamote, Jipijapa, and Salcedo have

been the object of consecutive regional and/or rural development projects. The beneficiaries were again rural people, either those who participated in land distribution or who benefited from new water irrigation sources. The objectives were usually to transform whole regions, converting them into models for the development of similar areas. Local people were beneficiaries and were often informed about the proposed projects, but had little participation in their preparation.

Other projects that shared the same approach were the agricultural development projects, characterized by the transfer of technology mentality, whereby knowledge about new varieties of plants and animals and the use of agricultural inputs (chemical fertilizers and pesticides) was in the domain of university-trained scientists. Poor farmers, in contrast, were supposed to change their old-fashioned/backward technology for the new. Most of these projects promoted improved varieties of wheat, maize, and improved animal husbandry. As a consequence, traditional knowledge about plant varieties and the centuries-old peasant knowledge about crops and animals were gradually being eroded (see Uquillas 1993 for a case study in Ecuador's Amazon region).

Along with greater investment in rural areas, NGOs appeared as intermediaries between the state and the rural population. They were either providing technical assistance to rural people or advocating local people's rights. Although participatory approaches were increasingly being used, they usually were limited to sharing of information and consultations, with little feedback to local people.

The application of these new development approaches, aimed at better distribution of land, water resources, and agricultural production knowledge, had a strong impact in rural areas. Indigenous peoples in particular benefited a great deal from these efforts, which

liberated many of them from semi-feudal land tenure systems, allowed them to hold or aspire to hold title to their own land, and provided technical assistance to improve agricultural production. With the oil boom of the 1970s, Ecuadoran peasants had greater access to improved seeds, fertilizers, and pest control, inputs that they had long been denied. The new development projects helped indigenous peoples organize, first to obtain land titles and then to administer larger water irrigation schemes or to work on agricultural development projects.

The infusion of financial resources and technology had a great impact on indigenous capacities, assets, and organization. Yet not all impacts were positive. Along with the emphasis on new knowledge and technology came a disregard for the value of their own traditional knowledge. New commodities were introduced and traditional crop varieties were gradually replaced by the new hybrids. Old cultural patterns of production and consumption were labeled backward and economically unfit, and thus tended to disappear. In addition, some development initiatives, such as the opening of roads in the coastal and Amazon lowlands, had deleterious effects on native peoples and their environment. With their lands and forests threatened, the survival of indigenous peoples and cultures themselves were put at risk.

The new trend made physical assets more important than cultural assets (see World Bank 2000) and favored the appearance of new, development-oriented social organizations that were led by young people, many of whom had initially been trained by the Catholic and Protestant Churches (Partridge and Uquillas, 1996). The role of traditional authorities became negligible. The new organizations emphasized sociopolitical aims, and besides building social capital their main goal was the struggle for physical assets, that is, land rights as a basic condition for indigenous cultural survival and development.

The World Bank and Indigenous Peoples

In the early 1990s, the World Bank's approach to indigenous peoples in Latin America was oriented primarily toward fulfilling the conditions of Operational Directive (OD) 4.20, which stressed informed participation by indigenous peoples and sought to minimize, avoid, or compensate for any adverse effects caused by Bank-financed development interventions. Particular efforts were directed at securing land tenure rights in projects that threatened indigenous territories, especially in large infrastructure projects (Wali and Davis 1992). This approach resulted in the preparation of Indigenous Peoples Development Plans or specific components addressing indigenous peoples issues in project documents. In practice however, progress in gaining compliance with the Bank's indigenous peoples policy was slow because the Bank needed to build its own capacity to implement and monitor OD 4.20 (Partridge and Uquillas 1996, 243-46; World Bank 2003).

To a large extent the Bank had operated under the assumption that its development and poverty reducing interventions will reach all the poor, regardless of ethnic or gender considerations. Thus, the needs of indigenous peoples were addressed through the traditional approaches mentioned above, such as integrated rural development, regional development, or agriculture projects. However, recent trends indicate that these assumptions are being revised, as demonstrated by new efforts to target interventions on the basis of age, gender, and/or ethnicity. While the Bank had become active in work on indigenous peoples and culture, this work was still largely aimed at policy compliance. Nevertheless, certain parts of the Bank provided important advocacy on indige-

nous issues, such as conducting a pioneering study on "Indigenous Peoples and Poverty in Latin America" (Psacharopoulos and Patrinos 1994). But there was still no direct support for indigenous development or organizations.

It is only in the 1990s that the World Bank's Latin America and Caribbean Regional Office started considering alternative approaches to indigenous peoples development. The Indigenous Peoples Initiative evolved out of a September 1993 meeting of several international cooperation agencies in Washington, D.C., including the Inter-American Development Bank (IDB), the International Fund for Agricultural Development (IFAD), the Fund for the Development of Indigenous Peoples of Latin America (Fondo Indígena), the Pan American Health Organization (PAHO), and others. The Initiative took shape within the context of the 1994 United Nations resolution proclaiming the International Decade of the World's Indigenous People, and it adopted a strategy of strengthening the social capital of indigenous organizations via capacity building efforts.

The focus on capacity building not only responded to the long-standing demands of indigenous organizations in the region, but also required a basic cooperation agreement between indigenous organizations and the government agencies in charge of indigenous affairs to meet the requirements of the Initiative's funding source (the Institutional Development Fund). In 1994 in Ecuador, as in other countries where this program has functioned (see Uquillas and Aparicio 2000), these requirements led to a mode of cooperation between the main national indigenous organizations that had coalesced around the so-called

Committee of the Decade of Indigenous Peoples (*Comité del Decenio*) and the former Secretariat of Indigenous Affairs and Ethnic Minorities (SENAIME), the predecessor of the *Consejo de Desarrollo de las Nacionalidades y Pueblos del Ecuador* (CODENPE).

The capacity building program became the entry point for Bank operations with indigenous peoples. Both indigenous peoples and government agencies saw the benefit of this collaboration and started thinking about follow-up actions both in the area of building social capital as well as through targeted interventions aimed at reducing poverty and promoting development with cultural identity or development based on the vision of the beneficiary ethnic groups themselves.

Thus, the concept of ethnodevelopment, formulated during the 1970s by Latin American social scientists and by UNESCO, was promoted within the Latin America region of the World Bank (Partridge and Uquillas 1996). At a broader level, the institution began to discuss the concept of social capital and, with resources of Norwegian and Danish trust funds, to sponsor research, including some case studies in the Andean countries (for example, see Sandoval and others 1998). The focus on indigenous peoples and their social and cultural assets

undoubtedly influenced the discussion of social capital (Davis and Patrinos 1996). At the same time, by the time the Indigenous and Afro-Ecuadoran Peoples Development Project began implementation in 1998, the concept had gained acceptance among the executive and technical staff of the project, who started redefining its components in terms of capital: social (organizational strengthening), human (education, training), environmental (land, water), and financial and physical (investments, assets). Aware of the interest the concept of social capital had in the Bank, the task team started using this concept in its discussion about the project.

Past advocacy stressed indigenous peoples rights and the need to end social exclusion (bringing indigenous people out of poverty and marginalization). While this was relatively successful in attracting attention to the plight of indigenous people, it tended to pit indigenous peoples against the rest of the poor and downtrodden, who often were represented in larger numbers. Social capital, on the other hand, focuses on the positive aspects of social groups and emphasizes assets rather than deficits, abilities rather than needs. In the case of indigenous peoples, who have strong social and cultural values, it helps highlight their tremendous potential for improving their own life conditions.

Interface between Ecuador and the World Bank

Conditions favoring collaboration

By the mid-1990s a combination of favorable factors led to the preparation of the Indigenous and Afro-Ecuadoran Peoples Development Project (PRODEPINE)—the first World Bank operation focusing exclusively on ethnic minorities.

First, indigenous peoples' level of organization and capacity for social mobilization had grown substantially. In a demonstration of their newfound power, in 1990 indigenous peoples marched from Puyo, in the eastern lowlands, to Quito to push their demands for recognition of collective title to the lands they occupied. In 1992 indigenous and Afro-descendant organizations joined forces and formed the *Coordinadora Agraria* (Agrarian Coordinating Commission) to pressure the government to revise its recently approved Agrarian Law. After the United Nations declared 1995–2004 the International Decade of the World's Indigenous People, and called for the formation of joint government and indigenous peoples committees, the *Coordinadora Agraria* was transformed into the Committee of the Decade (*Comité del Decenio*) with the mandate to propose and to respond to proposals for development activities for member organizations.

Second, in 1994 the Government of Ecuador created the National Secretariat of Indigenous Affairs and Ethnic Minorities (SENAIME) and appointed an indigenous entrepreneur as its first secretary. Immediately thereafter Ecuador initiated a series of contacts with donors to request support for SENAIMÉ and its proposed opera-

tions to benefit indigenous peoples and Afro-Ecuadorans. The government conveyed its interest in this matter quite strongly to the World Bank through direct contacts between the president of Ecuador and the vice president of the Bank's Latin America and Caribbean Regional Office, a visit by the secretary of SENAIMÉ to the Bank's headquarters in Washington, and other means.

Third, partly in anticipation of the United Nations International Decade of the World's Indigenous People, in 1993 the World Bank started its own Indigenous Peoples Development Initiative, hiring more social science staff, organizing workshops to discuss alternatives for indigenous peoples, and designing preinvestment operations—particularly a technical training program for indigenous peoples in Latin America. Thus, the institution was relatively well positioned to respond to requests such as that from Ecuador.

Fourth, the strong ethnicity–poverty relationship identified in the Bank's 1995 Poverty Assessment for Ecuador strengthened the case for targeting interventions at Ecuador's indigenous and Afro-Ecuadoran population. The fact that other rural development projects had difficulty reaching these populations further emphasized the need for a new approach.

When the government asked the World Bank to help identify an operation focusing on indigenous peoples, the Bank's experts on indigenous peoples issues recommended making contact with national indigenous organizations in Ecuador and taking a gradual, fully participatory approach as the minimum steps required to create conditions for success. While

initial contacts found willingness on the part of the government, there was great reluctance on the part of national indigenous organizations to deal with either their own government or with the Bank. To overcome this distrust, the initial project concept document started addressing the historical demands of indigenous organizations—namely, access to land, strengthening social organizations, and increasing rural investment. Strengthening the government's ability to formulate indigenous peoples' policies was not demanded by the indigenous organizations, but was eventually accepted by them as a necessary part of a project in which a government agency was the counterpart.

Preparation of the project depended not only on a tripartite agreement among the Bank, the government, and the indigenous federations, but also required reaching consensus within each separate social actor. While Bank technical staff, particularly those working in the rural and social development sectors, tended to support this initiative, some project advisors and country economists argued that indigenous peoples were already being served by existing projects such as the Social Investment Fund and that targeting indigenous peoples would create conflicts with other sectors of the poor population.

Ultimately, an alliance of social and rural development specialists, the Bank's country representative for Ecuador, and some division chiefs (environment and rural development) persuaded the Bank that targeting ethnicity within a rural development context was necessary and that it made sense financially to invest in indigenous and Afro-Ecuadoran peoples. The task team successfully argued that targeting was not new in the Bank and that given the fact that indigenous peoples were among the poorest of the poor in Latin America generally (Psacharopoulos and Patrinos 1995), and in Ecuador specifically as shown in the detailed quantitative analysis of the 1995 Ecuador Poverty Assessment, it was sensible

to direct resources at this sector of the population. In addition, proponents of this approach brought to the attention of Bank decisionmakers the enormous assets of indigenous peoples, mostly in terms of their social capital but also in terms of physical capital such as their communal landholdings in tropical forests and other important ecological regions.

Alliances also had to be strengthened or formed at the governmental level in Ecuador. Although SENAIME, an agency attached to the presidency, had made the request for Bank support on behalf of the Government of Ecuador, other key public agencies such as the National Planning and Coordinating Secretariat, the Ministry of Agriculture, the National Institute for Agrarian Development (INDA), and the National Forestry and Natural Resources Institute (INEFAN) had to be brought on board in favor of collaborating with indigenous peoples.

Finally, considerable effort was needed to maintain the fragile coalition of national indigenous federations and build their trust in both the government and the Bank. In the early 1990s there was an attempt by the government to pass an agrarian law that would have facilitated the breakup of communal lands in order to create a more open land market. Indigenous federations joined forces by forming an Agrarian Coordinating Group (*Coordinadora Agraria*) to oppose the law. Thus, the government again became the object of fear and suspicion. Indigenous leaders had not completely accepted SENAIME and were concerned that attempts at co-optation could divide their organizations. They also had grievances against the World Bank, particularly for its support for neo-liberal reforms, which they opposed.

The main line of argument to convince indigenous federations to participate in project preparation was that indigenous peoples had the right to public investments and that one of the best ways to secure funds was through internation-

ally financed projects. This was going to be the first time that Ecuador obtained a loan for poor indigenous peoples and Afro-Ecuadorans. The Bank not only was interested in financing a project targeting ethnicity but also was ready to do it in a fully participatory way that would become a model of other operations to follow in the future.

Many of the above activities required a deep knowledge of the social and political realities of the country. Building alliances and coalitions was facilitated by the fact that one of the authors of this study had a long working relationship with Ecuadoran government agencies, nongovernmental organizations, and indigenous peoples and thus had his own network of contacts and a high degree of credibility. The importance of personal trust and a proper political approach cannot be underestimated because without it indigenous federations would have had stronger resistance to the idea of collaborating with the Ecuadoran government in a Bank-financed project. This was further facilitated by the continuity of the task team, whose composition has not fundamentally changed over the entire life of the project.

During implementation SENAIME was replaced by the National Council of Planning and Development for Indigenous Peoples and Afro-Ecuadorans (CONPLADEIN), whose executive board included all the national indigenous federations plus an Afro-Ecuadoran representative. After more than a year of operation, CONPLADEIN was replaced by the Council for the Development of the Nationalities and Peoples of Ecuador (CODENPE), which includes only representation of peoples and nationalities—that is, organizations with an ethnic orientation—leaving out those which have a social class orientation (peasant federations). This changing institutional reality meant that the Bank's task team had to redouble its efforts to maintain old alliances and promote new social and institutional arrangements to ensure the project's inclusive

approach and the conditions for successful implementation.

Building internal coalitions was also a way of building social capital—first in the relationships among indigenous organizations, particularly the national federations in the *Comité del Decenio*; second, in the relationships linking indigenous organizations and government at the local and national levels; third, in the relationships linking the project team to other constituencies in the Bank; and finally, in the relationships between indigenous organizations, the Ecuadoran government, and the Bank.

The process of social organization in Ecuador is constantly changing. In the past five years it has been affected by the general crisis that the country is suffering as well as by new developments such as the existence of PRODEPINE, a new Constitution with ample recognition of collective rights and a focus on peoples and nationalities, and the new protagonism of indigenous peoples under the banner of CONAIE. All these changes have affected the project in unexpected ways. The main effect has been strong pressure to adjust the project to the new mandate of strengthening peoples and nationalities, which some federations interpret as recognition of the long struggle for reaffirmation of cultural identities, while others see it as an artifice to exclude the class-oriented federations from the decisionmaking process and from the benefits that the new projects can offer.

As a result, the Bank has insisted on the basic principle of social inclusion, by which not only should all indigenous and Afro-Ecuadoran grassroots organizations have access to project benefits, but all federations regardless of origin, political, religious, or class orientation should also sit at the table and participate in the decisionmaking process, particularly revision and approval of annual operating plans and periodic reports, and supervision of the implementation process.

Participatory framework

From the very beginning of project preparation the Bank committed itself to three basic guiding principles: (a) alleviation of poverty through targeting resources at the poorest sectors of the population, (b) promotion of participatory processes to ensure that project design responds to grassroots demands and builds social capital and trust, and (c) close coordination between governmental and nongovernmental organizations to increase project efficiency.

Preparation started with a project concept paper based on a proposal from the Ecuadoran government and the knowledge of Bank staff about the situation of indigenous peoples in Ecuador. The concept paper, along with an invitation to a project inception workshop, was sent to key government offices, NGOs, and national indigenous organizations. Participants at the workshop discussed the objectives, basic components, design methodology, and preliminary work plan for the project. The initial response to the project concept was favorable.

Nevertheless, it soon became apparent that the indigenous organizations had reservations about working with the government and the World Bank. The largest indigenous organization, CONAIE (claiming to represent 70 percent of all indigenous people in Ecuador) turned out to be a particularly tough negotiator. In the early 1990s CONAIE organized well-attended popular marches to advance claims for indigenous rights, thereby gaining very high credibility with the indigenous population as the genuine representative of their interests. With relations between the government and indigenous organizations historically defined by confrontation rather than cooperation, it was clear that a substantial change in the mindsets of both sides was required before they could engage in constructive dialogue (even though they recognized that such dialogue was desirable).

Moreover, it also became clear that although the national indigenous organizations had come together in the *Comité del Decenio*, they were not particularly well linked and did not necessarily speak with one voice. In fact, there was a fair degree of rivalry and continuous jockeying for the best position at the negotiating table. The role of the Bank's task team as an honest broker and intermediary to assist the stakeholders in defining common ground for joint action turned out to be crucial at this stage of the project preparation process and later during implementation.

It took several months to gain a formal commitment from the indigenous organizations to participate in the project. At first the government suggested the creation of a Consultative Group in which indigenous organizations would be represented, but with a minority status. This model of participation was rejected by the indigenous organizations. Instead, they proposed a model in which indigenous organizations had a direct relationship with the Bank, and administered project preparation and implementation themselves without the participation of the government. However, the World Bank's charter mandates that it work with national governments, so this model could not be accepted.

Further negotiations led to a coadministration model in which a Managing Committee (*Comité de Gestión*) would make decisions with equal representation by government and indigenous peoples. Three delegates from SENAIME would represent the government, and three delegates selected by the *Comité del Decenio* would represent the indigenous organizations. In addition, the parties agreed to create a Technical Unit (*Unidad Técnica*) to support the work of the *Comité de Gestión*. The coordinator of the *Unidad Técnica* was also a member of the *Comité de Gestión*.⁷ This

7. The *Comité del Decenio* sent a letter to the World Bank and to the Government of Ecuador stating its formal commitment to collaborate in

helped ensure a strong link between the decisions of the Comité de Gestión and implementation of those decisions by the Unidad Técnica. Because the coordinator was selected from a list of three candidates provided by the indigenous and Afro-Ecuadoran organizations, in effect they gained an extra representative on the Comité de Gestión. Annex I provides an overview of the agreed institutional structure.

During the first two years of project implementation, the role of the Comité de Gestión has been partly played by CODENPE (whose council includes representation of peoples and nationalities). Yet the project has faced strong pressures from the Secretary General of CODENPE to not only adjust to new constitutional principles but also take into consideration the new protagonism of CONAIE. In fact, in 1999, during negotiations between the government and CONAIE, an important part of the agenda was PRODEPINE. CONAIE argued for the need to restructure the project and made great efforts to have a greater say in its implementation by pushing for the appointment of CONAIE-affiliated professionals in the project's senior management team. Meanwhile, the other indigenous and Afro-Ecuadoran federations pressured the government and the Bank to be inclusive and to keep the project open to the participation of all stakeholders.

CODENPE has also strongly questioned the relative autonomy of the project, arguing that as the government counterpart it should have greater control over the procurement and disbursement process and that PRODEPINE should be an instrument to advance central government policies on indigenous peoples. The project, with Bank support, has resisted these efforts under the argument that the institutional arrangement of the project was the

result of a consensual agreement among the national indigenous federations and the government that took three years to achieve. Project agreements, having international legal standing, reflect this institutional setup. More importantly, for the project to succeed it needs to be relatively free of political interference from the national government and indigenous federations. The directors of PRODEPINE maintained that they were obliged to implement the project and annual operating plans as agreed between the government and the World Bank. The World Bank supported their position, but after the presidency intervened in favor of CODENPE, it reluctantly accepted the dismissal of the Executive Director, which was then followed by the resignation of the Technical Director in June 2000.

Conflict resolution mechanisms

The project's high degree of autonomy provided an opportunity to create a "business culture" conducive to a productive working environment. The subject of business culture was discussed explicitly at various stages during project preparation. Key notions about the appropriate elements of the business culture were even included in an aide-mémoire signed by the various parties. The discussions resulted in an agreement that the project's working environment would be based on several factors, including (a) a high degree of tolerance and respect, (b) direct, frank, and transparent communication focused on issues rather than persons, (c) drive for high-quality results, and (d) willingness to learn from mistakes and to accept constructive feedback. This provided an agreed code of conduct for people who, until recently, had never worked together. The usefulness of this exercise was reflected in the fact that people referred to the written principles on various occasions. Agreeing on these principles early in the process definitely helped shape a positive work environment and contributed to an atmosphere of cooperation and mutual trust.

the project. In the final analysis, indigenous and Afro-Ecuadoran organizations became the majority bloc in the committee, since the coordinator of the Technical Unit was the secretary and a voting member of the Comité de Gestión.

The mechanisms and processes that were employed by the project to deal with conflicts and differences indirectly contributed to fostering more constructive relationships among the indigenous organizations themselves as well as between indigenous organizations and the government. A case in point is that when the National Council of Planning and Development for Indigenous Peoples and Afro-Ecuadorans (COMPLADEIN) was established in March 1997, its organizational structure reflected that of the *Comité de Gestión* as agreed in November 1995. Because all the indigenous organizations were interested in having the project hire professionals affiliated with their particular group, considerable efforts were made to ensure that the rules of the game, particularly the hiring procedures, were clear to all stakeholders. Terms of reference, qualifications, and selection criteria for each position financed under the project were agreed up front. To acknowledge and validate the goal of having indigenous professionals employed in the project, knowledge of indigenous languages was included as one of the selection criteria for positions in which a pool of qualified indigenous professionals was available. For specialized positions in which there were expected to be very few, if any qualified indigenous candidates, the language requirement was replaced by a stipulation that the candidate should have relevant experience working with indigenous organizations.

The Bank went to great lengths to ensure that all parties complied fully with what they had agreed on paper. This was necessary because of the significant pressure to appoint consultants and divide training budgets according to quotas put forward by indigenous organizations. Though the Bank risked being labeled bureaucratic by insisting that the rules be observed, in doing so it actually established a solid reputation as a guarantor of due process for all stakeholders. Given the lack of strong trust among the stakeholders, this role was highly appreciated, and probably was one the most valuable aspects of the Bank's role in the preparation process.

Regarding fiduciary issues, the Bank made it clear from the beginning that the project had to comply with the full range of requirements that are applied to other Bank-financed projects, and that obtaining exceptions to these rules would probably be more painful and frustrating than complying with them. This slowed down project preparation because of rather weak institutional capacity and the fact that most project personnel lacked experience working in Bank-financed projects. Nevertheless, it was considered the right thing to do from a long-term perspective. It avoided potentially endless discussions about which requirements would be subject to exceptions, what the alternatives should be, and what would be the minimum justification needed to agree to an exception. It also avoided the trap of creating false expectations. In addition, it was made clear to the government and the indigenous federations on various occasions that certified compliance with Bank procedures, as implied by external audit reports, would in itself be a major benefit because it would demonstrate that indigenous peoples were fully capable of managing public funds. A series of external audit reports would establish a clean track record that would help indigenous peoples maintain access to public funds in the long run. By 2002 the project had passed five external audits, thereby establishing a solid reputation for responsible financial management.

Building broad alliances

Second- and third-tier indigenous organizations: the executing agencies

While the national-level indigenous organizations were legitimate representatives of the project's intended beneficiary population, it was recognized that their particular strength was in the political and public policy arena. Given the project's orientation toward generating direct benefits for indigenous communities, it adopted a strategy of also working directly with second-tier indigenous organizations (as stated previously, under this definition were a

broad range of organizations linking communities at the bottom with the national federations on top). These organizations, in effect, are the members of the national-level organizations. They usually are based in small urban or rural towns accessible to their community-level member organizations. Since second-tier organizations have a closer relationship with indigenous communities, they are in a better position to know local needs and demands, are inclined to focus on providing services to their members rather than merely representing them politically, and in general have a more pragmatic agenda. During implementation, executing agencies not only included second-tier organizations but also some third-tier organizations and even a few municipalities where indigenous mayors and councilors have been elected recently.

This strategy of making the project known at the regional level, including the second-tier organizations in project preparation, and aligning project design to their pragmatic agenda, created a substantial “pull” effect of second-tier organizations speaking in favor of the project at meetings and forums. Because the credibility of the national indigenous organizations depends to a large extent on effective linkages with their bases, the opinions of second-tier organizations tend to be taken into account by national leaders, though not often enough. Reaching out to the second-tier organizations therefore created a more deeply rooted and more solid base of support for the project, and reduced the risk of facing politically motivated decisions by a few indigenous leaders at the top.

International Fund for Agricultural Development

Since the project was the first of its kind, the Bank recognized that it did not necessarily have comparative advantage in all areas covered by the project. In this context, the International Fund for Agricultural Development (IFAD) proved to be an appropriate co-financing partner.

First, IFAD had two ongoing rural development projects—one in the province of Cañar and another in Saraguro—that already worked closely with indigenous organizations at the local and regional level. Learning from IFAD’s experience in those projects, whether positive or negative, could benefit preparation of the Bank-supported project. Second, IFAD had a strong interest in starting a rural development project targeting Afro-Ecuadorans in the coastal province of Esmeraldas. Third, IFAD’s experience in financing rural credit programs complemented the Bank’s experience in financing matching-grant funds. This enabled the project to establish an integrated program of rural investments that could respond to a wide range of demands from indigenous communities, including those with a public-good or a private-good nature. Fourth, IFAD’s more flexible stand on financing land purchases made an interesting complement to the Bank’s in-house possibilities, and widened the range of options for financing land regularization and conflict resolution programs. Fifth, combining the Bank loan with lower-interest IFAD resources offered a more attractive financial package, and lessened the chance that the government would lose interest in the project, even if macroeconomic conditions deteriorated. In addition, bringing IFAD on board added its dialogue with the government to the factors ensuring continued official support for the project.

Inter-American Foundation

Another attractive partner was the Inter-American Foundation (IAF), which was experienced in financing and implementing small-scale initiatives in cooperation with Ecuadoran indigenous organizations. The IAF had a long and successful history in this field, and had established a wide reputation and excellent relations with the indigenous movement in Ecuador. The Bank project provided a good opportunity to build on those experiences and successes, especially since at the time the IAF was scaling down its programs due to cuts in

U.S. bilateral aid. To benefit from their experience, the IAF was enlisted to serve as a peer reviewer during project preparation.

This arrangement provided mutual benefits. First, it provided a vehicle for the IAF to increase the scope of the model it had developed. Second, with some former IAF staff as part of the team, the project had unrestricted access to relevant information that was required to design some key aspects of the project, particularly with respect to participatory planning and local capacity building. Third, by associating the project with IAF's efforts and network, the former IAF officials became effective spokesmen for the project and provided an excellent alternative channel of communication with indigenous organizations. If indigenous organizations were in doubt about the Bank's intentions at some point during the preparation process, they could express their doubts to the IAF officials who they had known and worked with for a long time, and get a response they trusted from people who were knowledgeable about the Bank's opinions and intentions.

Food and Agriculture Organization

During project preparation another alliance was established with the United Nations Food and Agricultural Organization (FAO) to create a window of access, almost on a standby basis, to technical expertise on the preparation and implementation of small-scale, demand-driven rural investment subprojects. The arrangement allowed the project to tap into international experiences in this field and to design this project component in line with best practice. In addition, FAO's expertise on monitoring and evaluation systems helped the project focus increasing attention on quality assurance, and

particularly on the effects and impacts of its interventions.

Continuity of the task team

During the five years between preparation and implementation, the Bank task team remained substantially the same. There was good complementarity of member skills (which includes expertise in agricultural economy, rural sociology, and agriculture, among others). They had a shared belief that this is a unique experience that requires a long-term commitment in order to make it succeed. In any case, this continuity paid off in several ways.

First, given the sensitivity of the relationship between the indigenous organizations and the government, especially in the early stages, the task team played an important intermediary role that required a fair amount of trust that could only be built up over time.

Second, the various indigenous organizations did not necessarily have a common strategy, and on occasion pursued their own separate agendas. Continuity allowed the task team to understand and appreciate these different agendas, and to move project preparation forward while taking these agendas into account.

Third, continuity enabled the team to build a track record as an objective mediator. It consistently proposed solutions based on three basic principles: (a) inclusiveness, or ensuring that the solution to a certain problem allowed all stakeholders to continue to participate, (b) technical orientation, or keeping political issues from interfering at the operational level, and (c) clear formulation of rules or codes of conduct.

Operationalizing the Project Focus on Social Capital

Targeting ethnicity and poverty

One of the first challenges of the project was to identify the indigenous peoples and Afro-Ecuadorans who were the intended beneficiaries. The two principal questions were (a) whether the mestizo population living in the same areas would be part of the project's target population, and (b) how to settle the politically contentious issue of defining who is indigenous.

To tackle this issue an approach was adopted that combined quantitative methods and geographic location with the notion of self-identification and community affiliation with second-tier organizations. Census information on the indigenous and Afro-Ecuadoran population at the *parroquia* level was crossed with data on poverty (an index of unsatisfied basic needs), to obtain figures on the level of poverty by ethnicity. Additional information was gathered in the field, particularly self-identification of communities as either indigenous or Afro-Ecuadoran, and membership in a second-tier indigenous organization. This information was then represented in an indigenous poverty map.

The quantitative analysis gave an idea of which parroquias had a majority indigenous and Afro-Ecuadoran population and which ones had a significant minority presence of those groups. Once the parroquias were known, second-tier indigenous organizations could be identified that were operating in them. The project would then form an alliance with these organizations for implementation purposes, and in so doing would accept the membership eligibility criteria of the organization as the basis for targeting the intended

beneficiary population in that particular parroquia. Depending on these locally defined criteria, the project would include the mestizo population to the extent that they are members of the second-tier organizations.

Through this analysis the project targeted about 815,000 people who were members of indigenous and Afro-Ecuadoran communities in rural areas. Being considered "indigenous" was based on self-identification, membership in a specific indigenous community or grassroots organization, and recognition as indigenous by other members of that sociocultural unit. Being considered "Afro-Ecuadoran" was based on self-identification and membership in a black community.

The indigenous and Afro-Ecuadoran population of rural Ecuador is concentrated in 48 cantons, which comprise 288 rural parroquias (230 indigenous and 58 Afro). This is 29 percent of the country's rural parroquias. However, in nearly all cases indigenous and black people live in areas where there is also a mestizo population. In fact, only 150 parroquias have a majority indigenous or Afro population (of which 111 are indigenous and 39 are Afro). In the remaining 138 parroquias indigenous people and Afro-Ecuadorans account for between 10 and 50 percent of the total population. Thus there is ample opportunity to put the principle of interculturalism into practice.

There are about 180 second-tier organizations operating in the 288 parroquias included in the project area. It is through these organizations (generally grouping contiguous communities) that the project defines its annual operational plans and implements agreed activities.

The target population exhibits great cultural diversity, especially among indigenous peoples. The most numerous of the indigenous people are the Quichua speakers (or Runa) in the *Sierra*. They may be further subdivided by area of ethnic predominance, including the Otavalo, Carangui, Cayambi, and Quito in the northern region, and the Panzaleo, Puruha, Cañari, Salasaca, and Saraguro in the south-central region. The next largest group is the peoples of the Amazon region, including the Shuar, Achuar, and Runa or Quichua speakers of the lowlands, and the Waorani, Cofán, and Siona-Secoya. In the coastal region are found the Awá, Emberá, Tsachila, and Chachi, and other peoples such as the Huancavilca, Manteño, and Puna who have lost their language but retain strong indigenous cultural features. Afro-Ecuadorans live in both coastal and highland areas, though there is not as much diversity between their subgroups as there is between the indigenous subgroups (see Annex 2 for details and estimated population sizes).

Conceptual framework

Social exclusion, economic deprivation, and political marginalization are sometimes perceived as the predominant characteristics of Ecuador's indigenous peoples. But as they often remind outsiders, indigenous peoples are also characterized by strong positive attributes, particularly their high level of social capital. Much of this type of social capital is manifest at the level of the traditional community through informal networks of reciprocity and is strongly survival oriented. The challenge is to mobilize or build on these types of relationships for development purposes and more formal organizations that often require different types of collective action and hierarchies.

Besides language and their own sense of ethnic identity, the distinctive features of indigenous peoples include solidarity and social unity (reflected in strong social organizations), a well-defined geographical concentration and attachment to ancestral lands, a rich cultural

patrimony, and other customs and practices distinct from those of Ecuador's national society, which bears a strong western influence. There are also some negative traits embedded in indigenous culture such as political and religious factionalism and particular forms of gender inequality. Nevertheless, the project aims to mobilize this social capital, based on these characteristics, as a platform for ethnodevelopment following the conceptual framework presented in Figure 1.

The ultimate aim of the project is to generate results and impacts that directly benefit indigenous and Afro-Ecuadoran communities. To achieve this, the project finances investments to improve the stock of human, financial, physical, and environmental capital at the disposal of these communities. In the process, it expects to build social capital in at least three different ways. First, when social capital is already strong, the other forms of capital can complement it effectively (for example, by strengthening preexisting water-users associations). Second, when, social capital is weak, these additional resources, which in most cases are not individual goods, will promote collective management and solidarity among members.⁸ Third, when the existing social capital in traditional indigenous communities is different from and not necessarily compatible with the type needed in modern administrative/economic and even social infrastructure management, the project will stimulate the gradual extension of the original social capital into new fields, levels, or types of cooperation (such as women's solidarity credit associations, which have no equivalent in traditional Andean communities).

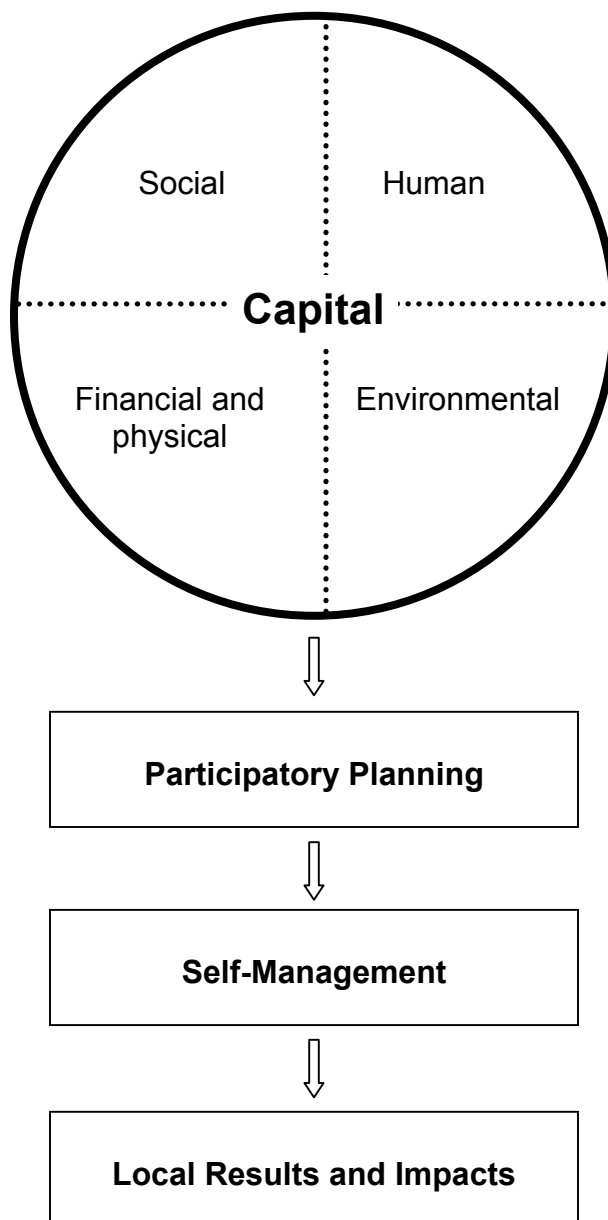
8. John Durston, in his work in Guatemala, argues that native communities have latent social capital that was disrupted and repressed during the civil strife in that country, but which now, with a combination of physical and financial investments and organizational assistance, can be resuscitated and built up in an atmosphere of trust (Durston 1998).

To ensure relevant use of these various types of capital, the project relies on participatory planning as a mechanism to facilitate the effective demand-driven nature of activities and self-management as a tool to retain a strong sense of project ownership on the part of indigenous and Afro-Ecuadoran organizations. The configuration of investments in various types of capital coupled with the focus on par-

ticipatory planning and self-management as the basic principles for the project's operational procedures forms the conceptual framework of the project.

Despite the strong desire for self-management in order to take the process of development into their own hands, relatively few second-tier organizations had the technical and finan-

Figure 1. Conceptual Framework to Operationalize Social Capital



cial management capacity to assume their role as project implementing agents. In fact, there is a very wide range in available institutional capacity in these organizations, with some of them having a long history of providing services to their member communities, while others even lack the basic knowledge of managing their own finances. Recognizing this large variation in institutional capacity, it became clear that the project could not use a blueprint approach to enter into partnerships with these organizations as project implementing agents. A standard level of supervision might be interpreted by one organization as the absolute minimum level of operational support to effectively assume its responsibilities, while others might consider it as excessive micro-management.

In order to tailor the relationship between second-tier organization and the project at a mutually acceptable level, the project is investing in the development of an index of organizational capacity, which includes social capital indicators.⁹ This index combines indicators in the categories of management capacity, organizational culture, human capital, and financial capital. Following criteria outlined in Annex 3 an index of organizational capacity is calculated. This index then determines the nature of partnership with the project in terms of operational responsibilities and local capacity-building support activities.

The index was applied to all known second- and third-level organizations in the Amazon. Three categories of potential partnerships are

distinguished.¹⁰ The first category includes second-tier organizations that have ample institutional capacity to be effective partners on the full range of activities supported by the project. Most support provided by the project for this type of organizations is demand-driven, while controls tend to be of an ex-post nature. In case of noncompliance with the agreed rules of the game, the project can reassess its relationship with a second-tier organization and base it on the rules of the game that apply to the second category.

The second category includes organizations with limited institutional capacity. The project enters into agreements with these organizations for the design and implementation of subprojects if there is a willingness on their part to participate in training programs supported by the project. The project also maintains a ceiling of \$25,000 instead of the usual \$90,000 for subprojects implemented by organizations in this category. Project personnel maintain close relations with these organizations to provide support on a regular basis. Controls exercised by the project tend to have a more ex-ante nature. Once an organization has successfully implemented a number of subprojects, the relationship can be redefined based on the rules of the game that apply to organizations that have ample institutional capacity.

The third category of second-tier organizations includes those that have no apparent institutional capacity whatsoever. The project enters into agreements with these organizations if they associate themselves with an NGO in a formal alliance. The underlying idea is that the

9. This work ties in with initiatives in this area launched by the Social Development Family of the World Bank, under the "Social Capital Initiative," underwritten by the Danish Trust Fund. The PRODEPINE index was developed in dialogue with researchers of an Andean study on campesino federations while they experimented with measures of organizational capacity and structural social capital (see Bebbington and Carroll 1999).

10. The universe of OSGs was divided in three groups based on their scores on a 114-point scale: (a) those with scores above 81, representing 27% of the total; (b) those with scores between 50 and 80, representing 55%; and (c) those with scores below 50, accounting for 18%. The main purpose of this exercise was to determine which OSGs could or could not manage project resources (see Ramón 1999).

NGO has a local presence and is in a position to provide support on an almost continuous basis, something the project cannot do. Most of the capacity building efforts supported by the project focus on the second category of organizations as described above. Hence, by using the index as a tool to focus and tailor local capacity building activities it also contributes to greater cost effectiveness in this area.

The project also supports a range of activities that are specifically aimed at improving the institutional capacity of second-tier organizations, particularly those of the second and third category. These activities include support for building management capacity and technical capacity with special emphasis on project preparation and management. The project also helps organizations obtain juridical status if needed. To emphasize the focus on ethnodevelopment, the project also supports activities that strengthen the identity and cultural patrimony of indigenous and Afro-Ecuadoran communities and their organizations.

Capital accumulation

To make the investments of the project in human, environmental, financial, and physical capital more effective, social capital needs to be taken into consideration in the orientation and design of these investments.

Human Capital

To increase the available pool of indigenous professionals in the long run, both in quantitative and qualitative terms, the project entered into agreements with 27 universities and colleges to provide complementary financial support and design an appropriate course of studies for indigenous students supported by the project. The project also supports students in disciplines that are particularly relevant for the modus operandi of the second-tier organizations, including community development, anthropology, and communications. Potential candidates for project support are proposed by

second-tier organizations and subsequently selected by the project based on previous educational achievements. To increase the probability that students remain in their communities and organizations after they have completed their education, the formal education program puts a heavy emphasis on distance learning. The presence of many indigenous students in the usually white/mestizo university is already changing attitudes and giving indigenous people a new degree of respect.

In addition to the formal training programs, the project supports short courses for professionals who are actually working in implementing agencies. Courses include a wide range of topics, most of which are closely related to participatory planning, project administration and management, procurement, and technical issues. Since learning by doing is a key element of these courses, they are coordinated closely with the program of small-scale investments financed by the project. The project also offers a limited number of internships in its regional offices. These internships expose young indigenous professionals to the operational aspects of the project's rural investment program, which can enhance the interns' work in the second-tier organizations.

By the end of 2002, 1,080 high school students (including 335 graduates) and 850 college students (including 67 graduates) had received academic fellowships from the project. In addition 77 people had completed short courses in irrigation, soil conservation, agroforestry, and other topics (World Bank 2002).

Environmental Capital

The project supports a significant land titling and regularization program in collaboration with the *Instituto Nacional de Desarrollo Agrario* (INDA). Because of the sensitivity surrounding land property rights, this program is being implemented by locally trained paralegals from the indigenous and Afro-Ecuadoran communities participating in the program rather

than by government officials. In collaboration with CARE, the project has supported a program to train and to establish a professional network of paralegals. Given their local background and knowledge of participating communities and organizations, the paralegals are in a much better position than outside government officials to effectively facilitate resolution of land conflicts. The cooperation agreement between the project and INDA explicitly calls for integration of these paralegals into INDA's land titling and regularization procedures.

Currently, 122,685 hectares of land have been titled to 71 grassroots organizations, 97,312 hectares are in the process of being titled, and 160 paralegals have finished the training program. In addition studies of irrigation systems have been conducted that cover 2,647 kilometers of irrigation works serving 458 communities and 37,194 users (World Bank 2002).

Financial and Physical Capital

The project finances a substantive program of small-scale rural investments identified through a participatory planning process at the community level. Investments with a public-goods character are financed through matching grants. Investments with a private-goods character are financed on a credit basis. Contributing labor for community enterprises (*mingas*) is accepted as the counterpart contribution of the communities to the matching grants for financing particular rural investments. Indigenous communities typically conduct the practice of *minga* on a regular basis to construct, maintain, or repair infrastructure that has a communal character. By doing so, the project is explicitly building on existing social reality.

Another example of this is the way *empresas comunitarias* (community enterprises) are financed under the project. These enterprises are typically some sort of small-scale agribusiness owned by the community and operated by a number of people from the community. After covering all relevant costs, including salaries

of personnel, profits are ploughed back into the communities and invested in social infrastructure (for example schools, health clinics, etc.). From the outsider's point of view these agribusiness ventures are private firms, which according to the project's investment rules should be financed with credit. However, the point of view of the indigenous communities is that these ventures are public since the communities own them and the profits are used to finance public goods. Given the project's orientation toward ethnodevelopment, it is hard to justify any approach other than applying the rules according to the point of view of the communities and their organizations. Consequently, the project finances capital investments (such as machinery, buildings, etc.) for *empresas comunitarias* through matching grants.

After about four years of implementation, PRODEPINE has supported the preparation of 210 local development plans, 1,918 subproject proposals, and 830 preinvestment studies. It has also provided \$12 million in financing for 654 small investment operations, with the communities contributing an estimated \$4.5 million. In addition, 547 community banks have been created, benefiting 14,022 members, as part of a special activity targeting indigenous women (World Bank 2002).

Self-management, participation, and cultural identity

Project beneficiaries and their organizations are empowered to manage the project at the strategic level through an Consultative Committee (*Comité Consultivo*) formed at the Council for the Development of the Nationalities and Peoples of Ecuador (CODENPE). The Consultative Committee includes representatives from CODENPE and delegates from the main indigenous and Afro-Ecuadoran organizations. The committee reviews and approves the project's annual operational plans, and discusses progress reports submitted by the Project Technical Unit.

The Project Technical Unit is responsible for coordinating implementation of the annual operational plans approved by the National Council. The unit is headed by a three-person management team composed of an executive director, a technical coordinator, and a financial-administrative coordinator. The criteria for selecting members of the Project Technical Unit include knowledge of indigenous languages and experience working with indigenous or Afro-Ecuadoran organizations. This naturally encourages hiring of indigenous and Afro-Ecuadoran professionals and creates a technical unit staffed by qualified and culturally diverse professionals, including *mestizos*, that mirrors the project's design and areas of operation

Because the project's success will largely be measured in terms of concrete results at the community level, the vast majority of professionals in the technical unit work in regional offices. This puts them closer to the second-tier indigenous organizations through which most project activities are implemented. Over time, the project has worked in close partnership with about 250 of these indigenous and Afro-Ecuadoran membership organizations. As a first step, second-tier organizations and the communities they are drawn from agree on a local development plan that provides an overall vision and serves as a tool to prioritize project activities in a particular area. Once defined, the organizations prepare and implement small-scale investments, not exceeding \$90,000 per subproject, that benefit their member communities. Second-tier organizations also provide input into the elaboration of the annual operational plan of the project in a particular region, further contributing to the demand-driven nature of the project. An additional benefit of operating in a decentralized fashion in which most of the operational decisionmaking authority is shifted to the regional level is that once the annual operational plan is approved, the project operates relatively independently from the political arena. This independence is enhanced by the fact that

small-scale investments are financed solely through the loan funds and the counterpart contributions from the communities. Problems with government counterpart funds, for which Ecuador is notorious, therefore do not directly affect the project's investment program in indigenous and Afro-Ecuadoran communities.

Recognizing self-management as a crucial element of community development implies that project activities, by definition, should be demand-driven. The project relies on participatory planning as an underlying process to obtain a genuine demand-driven focus for its activities. The process is designed to help make community and grassroots organizations effective players in their own development. More specifically, participatory planning is used in the context of the project as a way to (a) contribute to the decentralization of decisionmaking, (b) stimulate grassroots participation in local planning and generating demand, (c) help rural communities formulate development strategies and investment plans, and (d) increase investment sustainability by intensifying stakeholders' commitment in the execution and supervision of rural investments.

The participatory planning process used by the project draws heavily on the experience of the Inter-American Foundation (and Comunidec, a national NGO) in Andean countries, particularly on its methodology for participatory community planning. It also builds on the practical experiences in the Nicaragua Rural Municipalities Project, the Bolivia Rural Communities Development Project, and other projects that use the Goal-Oriented Project Planning (GOPP) method. In the GOPP approach, community and district workshops are held over the course of several weeks. At the workshops, project field promoters and second-tier organizations help the communities carry out a participatory diagnostic and formulate a development strategy by applying methods of group dynamics. Workshop participants are community delegates, representatives from development organizations, and interested in-

dividuals. After each workshop time is allotted for the community delegates to return to their communities, inform them of the workshop's proceedings, and get community feedback. This process can be lengthy because in some communities decisions are taken by consensus.

In an attempt to put the concept of development with identity into practice, the project has also tried to incorporate a series of concrete activities designed to preserve and strengthen the rich cultural patrimony of indigenous and Afro-Ecuadoran peoples. However, progress under this program has not met expectations. So far these activities have included seven video documentaries about indigenous cultures, ten publications, three encounters to discuss cultural heritage issues, and 28 festivals of music and dance. The challenge is to better embed culture in productive investments and activities that generate revenue.

The project also includes features intended to sustain and strengthen indigenous and Afro-Ecuadoran cultures indirectly. As part of the

institutional strengthening efforts geared toward CODENPE, the project supports a team of professionals whose mandate includes reviewing and assessing the potential impact of new legislation on the indigenous and Afro-Ecuadoran population and proposing changes when adverse impacts are anticipated. As part of the land tenure regularization efforts supported by the project, an attempt is made to clarify the concept of ancestral rights in more concrete terms to improve land ownership of indigenous and Afro-Ecuadoran communities in forestry and protected areas. Finally, in the rural investments program supported by the project, the criteria for matching grants to finance community infrastructure takes into account indigenous notions of communal and private property rather than relying on definitions from outsiders. For instance, even though indigenous community enterprises can be considered private firms, the project finances them with matching grants rather than loans because they are owned by the indigenous communities and part of the profits are invested in social infrastructure such as schools and health clinics.

Conclusion

This project is part of a new breed of poverty-targeted interventions by the World Bank. It is also part of an experimental initiative, started in 1993 in Latin America, designed to build social capital and promote ethnodevelopment. Ecuador's Indigenous and Afro-Ecuadoran Development Project represents an effort to operationalize new and old concepts (ethnodevelopment, social and human capital, community-driven development). It is an effort to mobilize local resources and direct new ones to the poorest segment of the population, and to have that population manage the resources in accordance with their own vision of the problems they face and the solutions they choose.

The project is unique because it is the Bank's first stand-alone operation that exclusively targets indigenous and Afro-Ecuadoran peoples, and also because it is highly participatory throughout inception, preparation, and implementation. But the operation's most unique feature is that it is strengthened by building on the positive qualities of indigenous cultures and societies, such as their sense of ethnic identity, cultural values, solidarity and social cohesion, close attachment to ancestral land, and capacity to mobilize labor, capital, and other resources to attain shared goals.

Some aspects of this project should be incorporated as fundamental features of other, similar operations. First, the design should recognize and seek to consolidate and strengthen the capacity of many indigenous peoples and ethnic or racial minorities to mobilize social capital, including its cultural dimensions. Second, the design should incorporate a range of complementary inputs, including the formation and strengthening of human, environmental and physical, and financial capital. The exact specification of interventions in these fields

should take into account how they interact with and complement existing social capital. Third, to ensure the relevance of activities financed under the project, its investments should reflect priorities established in local development plans elaborated in a participatory fashion. Fourth, to ensure ownership—and ultimately the sustainability of the investments financed—the institutionalization of self-management should be a guiding principle of project implementation.

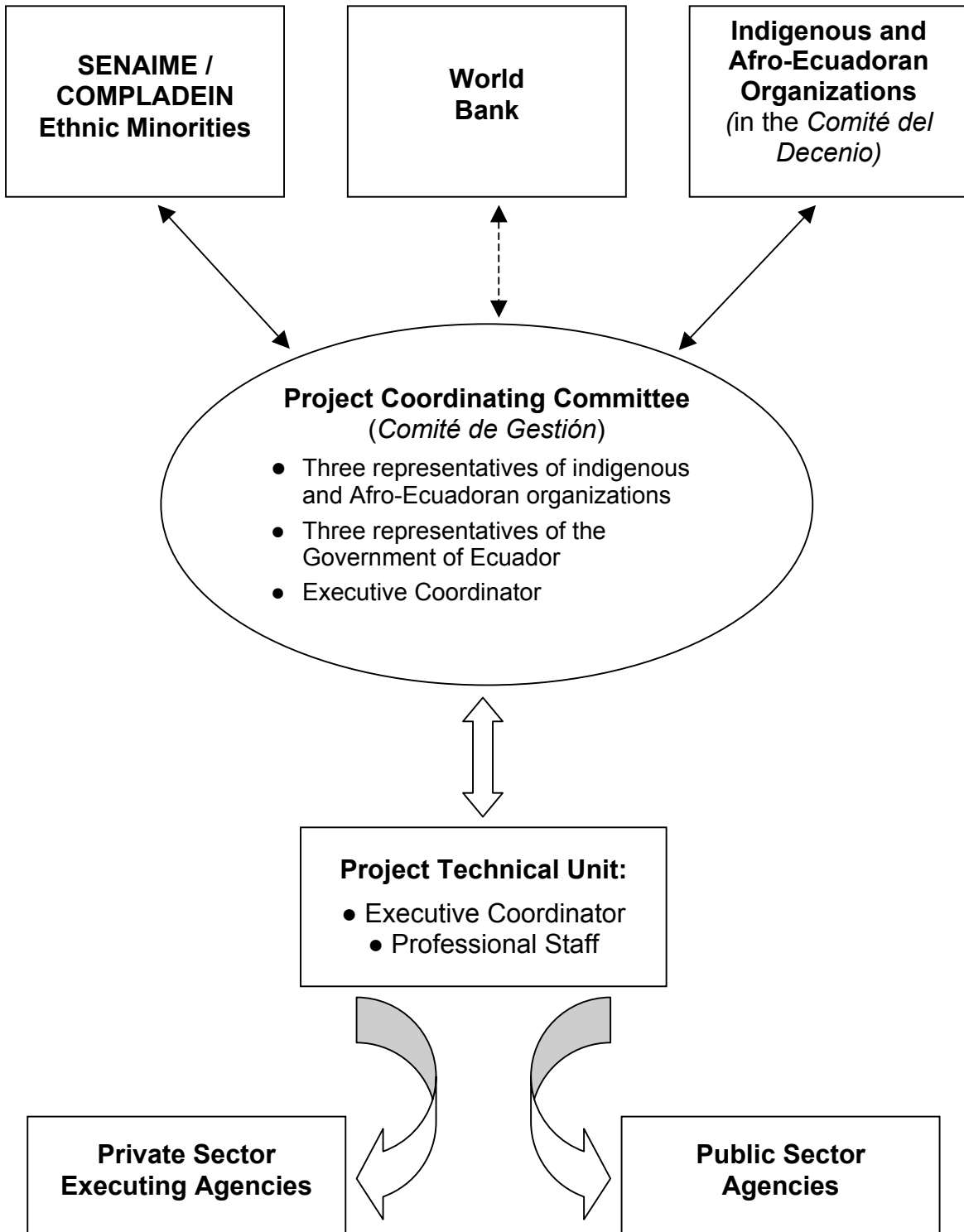
The Bank's major investment in this project is building alliances among poor people and between the poor and other social sectors. Indigenous peoples are increasingly conscious that financial investment will bear fruit only if those alliances are maintained and strengthened. In contrast, if they are weakened, and as a consequence the links holding the different groups together break, then domination by the white-mestizo society will continue unabated and the social exclusion and poverty of indigenous peoples will greatly increase. Thanks to their organizations and the capacity to mobilize alliances, indigenous peoples have become important social actors in local, regional, and national politics. At the moment, they are at the forefront of the social movement advocating change. To continue playing that role and to reach their high goals, they need to maintain their social cohesion and demonstrate true leadership capabilities.

The experience of the project indicates that the formation and consolidation of these alliances is not an easy task since indigenous and Afro-Ecuadoran grassroots organizations do represent different political orientations and ideologies. The challenge is to isolate, to the extent possible, development efforts supported by the project from political interference and manipulation by government, national indigenous or-

ganizations, or other external actors. This requires an explicit commitment to the technical focus of the project by all stakeholders involved, the use of professional criteria in the selection of its personnel, and the recognition of social inclusion as the driving principle for the project's participatory framework. An important institutional project design feature for this purpose is the existence of a decision-making body and conflict resolution mecha-

nism at the strategic level, with participation by representatives of key project stakeholders. Also, having a third party to act as a broker and to remind stakeholders of the agreed core principles of the project—in this case the World Bank through its local field office representatives and supervision missions—can play an important role in consolidating the alliances that form the foundation of the project.

Annex 1: Project Institutional Structure during Preparation Process



Annex 2: Target Population According to Ethnicity

<i>Region</i>	<i>Ethnicity/Location</i>	<i>Population</i>
1. Costa–Sierra / Afro-Ecuadoran Region	Eloy Alfaro	23,256
	San Lorenzo	9,067
	Esmeraldas	86,653
	Chota-Mira	22,793
2. Amazonia	Quichua/Runa, Sucumbios	8,463
	Quichua/Runa, Napo	25,470
	Quichua/Runa, Pastaza	15,866
	Shuar, Upano	19,412
	Shuar, Transcutucu	11,011
	Shuar, Zamora	3,740
	Others (Wao, Siona, Secoya, Cofán)	3,221
3. Northern Sierra	Quichua/Runa, Otavalo-Carangué	63,726
	Quichua/Runa, Cayambe-Quito	51,289
4. Central and Southern Sierra	Quichua/Runa, Cotopaxi	72,476
	Quichua/Runa, Tungurahua	62,984
	Quichua/Runa, Chimborazo	148,715
	Quichua/Runa, Bolívar	35,086
	Quichua/Runa, Cañar-Azuay	62,447
	Runa, Saraguro	11,936
5. Costa	Costa Sur, (Huancavilcas, Mantecóns, Punaes)	65,997
	Others (Chachi, Epera, Tsáchilas, Awa)	9,892
TOTAL		813,500

Annex 3. Institutional/Organizational Capacity Index Criteria

		Points
Legal Framework	Juridical personality of institution established	Done.....5
		More than 5 years3
		In process for: Between 1 and 5 years2
		Less than 1 year.....1
		Not yet initiated0
	Statutes (norms) executed / directives reformed	Done on time (complied w/ statute)5
	Done but missed deadline3	
	Remain unchanged (as of 1993).....0	
Fiduciary Capacity	Accounting system	Computerized5
		Daily bookkeeping3
	Financial management (<i>banking</i>)	3 accounts (savings, checkina. insurance)5
		2 accounts (savinas. checkina).....3
		1 account.....2
Management Capacity	Methodology Implementation	Organizational structure in second-tier organization (including board of directors, local representatives)5
		Basic organizational structure3
		Organizational structure dependent on NGO or other organization3
		Lacks organizational structure0
	Project experience (<i>number of projects</i>)	3 or more5
		Less than 3.....3
	Cash flow management	Excellent (9 figures or greater).....5
		Very good (8 figures).....4
		Good (7 figures)3
		Average2
		Unsatisfactory.....1
Contributions by partners	Contributions in kind, collective labor and cash5	
	Contributions in kind and collective labor.....4	
	Collective labor3	
	In kind2	
	Cash1	

Annex III. Institutional/Organizational Capacity Index Criteria (continued)

		Points
Human Capital	Technical specialists	In-house5
		In-house and external3
		External only1
		None.....0
	Professional accounts	One account.....3
		None.....0
	Accounting assistants	More than one3
		12
		None.....0
	Administrative support staff	More than 13
		12
		None.....0
	Community contacts	More than 15
		13
		None.....0
Financial Capital	Goods—inventory, status, cost (vehicles, machinery, office space, land)	High (whole package, 100%).....5
		Medium high (at least 75%)4
		Average (at least 50%)3
		Low (25% and below)2
		None (0%).....0
	Office equipment—inventory, status, cost (typewriters, computers, desks, fax machines, and other)	High (100%)5
		Average (75%)4
		Low (50% and below)3
		0%0
	Communication tools (telephone, radio station, frequency, sound equipment, amplifiers/speakers)	High (100%)5
		Average (~75%)4
		Low (50% and below)3
		0%0
	Basic services (potable water, sewerage system, electricity)	Excellent (100%)5
		Very good (~75%)4
Good (~50%)3		
None.....0		
Sources of Funds	Own enterprise.....5	
	Other partner organizations5	
	None.....0	

Annex III. Institutional/Organizational Capacity Index Criteria (continued)

		Points
Organizational Culture	Relations with other organizations <i>(NGOs, third-tier organizations, other)</i>	High (3 or more) 5
		Average (2)..... 3
		Low (1)..... 1
		None 0
	Types of partner initiatives with NGOs <i>(legal, technical, capacity building, credit, or other field of expertise)</i>	High (all) 5
		Average (2-3)..... 1
		Low (1)..... 2
		None 0
	Number of affiliated first-tier organizations	65 or more 5
		46-64 4
		31-45 3
		21-30 2
		1-20 1
	Services offered to members <i>(legal, credit, education, health, and management expertise)</i>	Excellent (all) 5
		Very good (4)..... 4
		Good (3) 3
		Low (1-2) 2
		None 0
	Participation by partners in the decisionmaking process	Participation and feedback 5
		Participation only 3
Education level of management personnel <i>(president, vice president, secretary)</i>	Specialized training, college or more 5	
	High school..... 3	
	Elementary school 1	

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