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Explaining Spatial Diversity in Latin American Rural Development: Structures, Institutions, and Coalitions

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Summary. — This article summarizes the results of a research program conducted in 11 Latin America countries, addressing two questions: (1) what factors determine territorial development dynamics that lead to economic growth, poverty reduction, and improved income distribution? (2) What can be done to stimulate this kind of territorial dynamics? We highlight five “bundles of factors” that we found in 19 case studies of territorial development¹, as well as the role of social territorial coalitions that appear to be necessary for territorial dynamics that lead to economic growth with social inclusion. The article calls for territorial development policies to complement sectoral policies.

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Key words — Latin America, territorial development, growth, poverty, inequality, rural

1. INTRODUCTION

The Rural Territorial Dynamics program that generated the articles included in this special issue of *World Development* was guided by three questions. (1) Are there rural territories in Latin America that have experienced simultaneous economic growth, poverty reduction, and improved distribution of income?; (2) What factors determine such kinds of territorial dynamics?; and; (3) What can be done through public policy but also from other spaces of public action, in order to stimulate and promote this kind of territorial dynamics?

The introductory article in this collection, by Berdegué, Bebbington, and Escobal proposed that the answers to those questions needed to be framed by a mid-range or operational theory that explained institutional diversity across space or, in our program, across territories. The interplay between agents, institutions, and social structures at the territorial level, was proposed as the lens through which we would seek the answers to our research questions. Spatially differentiated patterns of institutional reproduction and change were conceptualized as being the result of individual and above all collective human agency and the geographically uneven ways in which territories are strategically coupled with extraterritorial economic, social, and political networks and coalitions. These couplings affect both institutional forms and territorial dynamics. The framework allowed for both extraterritorial and territory-specific drivers of institutional change. While acknowledging the significant role played by shocks exogenous to territories, we argued that this type of institutional change could not account for the spatial variations observed in development dynamics across different territories. Endogenous change, typically more gradual and cumulative and in which localized agents and institutions play a much larger role, seemed a necessary explanatory factor.

In this article we look across the previous ten papers included in this special issue, plus other evidence published elsewhere by the program partners, to answer the second and third research questions: Why this territorial diversity? What can be done about it?

In Section 2 we discuss five “bundles of factors” that we found present in one form or another in our 19 case studies of territories that experienced dynamics of economic growth with greater or lesser degrees of social inclusion. We examine the role of a particular form of human agency that we have called social-territorial coalitions, and explain why we propose that the presence of such coalitions is necessary for territorial dynamics that combine economic growth, social inclusion, and in some cases environmental sustainability. We conclude by outlining research and policy agendas to stimulate and support this type of territorial dynamics.

2. RESULTS

The results of Small Area Estimates analysis ([Modrego & Berdegué, this issue](#)) showed that between the mid-1990s and mid-2000s, 52% of Latin America’s territories failed to improve in at least two of the three dimensions of development that we looked at: growth, poverty, income distribution. A further 29% had failed in all three dimensions. This latter

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group, in particular, is an example of localized poverty and/or inequality traps.² But if we focus on the glass half-full, the same analysis shows that 12.5% of territories improved in all three dimensions, and an additional 23.7% experienced economic growth with poverty reduction.

The 19 case studies in the second phase of the RTD program focused on these territories that had managed to avoid the fate of the majority. Although the processes of change observed in these 20 territories are far from being homogeneous, we did find several stylized patterns that offer a plausible explanation of the observed facts.³ [Supplementary Table 1](#) summarizes the specific results in each of the case studies of the RTD program, using the same categories that are explained below in general terms.

(a) Structures of resource access and control

The case studies give abundant evidence that natural resource endowment is an important determinant of territorial dynamics. The salmon industry transformed Chiloé, Chile, because it gained access to coastal waters with excellent conditions, and, when the resource deteriorated, the development process was seriously disrupted ([Ospina, Bebbington, Hollenstein, Nussbaum, & Ramírez, this issue](#); [Ramírez & Ruben Rued, this issue](#)). Access to land was a critical factor driving the expansion of the dairy industry in Santo Tomás, Nicaragua ([Ravnborg & Gómez, 2012](#)). The structures governing control of oil and gas changed the nature of development processes in Tarija, Bolivia ([Hinojosa, Chumacero, Cortez, & Bebbington et al., 2012](#)). Others of the 19 case studies not reported in detail in this issue also highlight the role of resource endowment and patterns of access and control to these resources in shaping the nature of territorial dynamics, whether in tourism in Brazil, in market-oriented smallholder agriculture in Peru and Guatemala, or in diversified rural economies in Mexico.

However, we do not find a unidirectional causal relationship between “more and better” natural resources and higher and more socially inclusive economic growth. For example, Tungurahua, Ecuador ([Ospina & Hollenstein, this issue](#)), is perhaps the most “successful” of the 20 territories that we studied in depth when assessed from the perspective of socially inclusive (and relatively environmentally sustainable) economic growth, and yet this province in the Andes is not particularly well endowed in natural resources, compared with other places in the same and other countries, that did not do as well. In contrast, the territory of Santo Tomás has more abundant and perhaps better quality land and climate for the type of agriculture that it practices, and yet one observes a development dynamic of economic growth that is not socially inclusive ([Ravnborg & Gómez, 2012](#)). In Northeast Brazil, two relatively nearby territories with similar natural resource bases have gone in very different directions when seen from the perspective of socially inclusive growth ([Favareto, Abramovay, D’Oliveira, & Diniz, 2012](#); [Quan, Olade & Rocha Souza, 2011](#)).⁴

The institutional arrangements that govern access to, and use of natural resources, are an important part of the explanation of the relationship between territorial economic growth, poverty, and inequality reduction, and environmental sustainability, not only because of the way in which they influence the physical asset endowment of different groups in territorial societies, but also because they facilitate or constrain the gradual emergence of human and social assets: skills, networks within the territory and the outside world. Agrarian institutions were also central in shaping gender systems, and such influence is felt strongly today ([Deere & Leon, 2001](#); [Ramírez & Ruben, this issue](#)).

In the large majority of Latin American rural territories and at least until late in the second half of the past century, land was the basis of economic, social, and political power, and territorial societies organized themselves around the control and use of this critical resource. A history of highly unequal land distribution appears in many of the case studies as an explanatory factor for contemporary territorial dynamics that tend to be exclusionary and sometimes polarizing. In many of the territories studied, *latifundia* benefited from strong state support and protection, resulting in lack of or very timid economic transformation, little innovation, and long-term economic stagnation with very low levels of productivity and weak linkages with dynamic and competitive markets (c.f. [de Janvry, 1981](#); [Barsky, 1984](#); [Mayer, 2012](#)). The smallholders and landless laborers living in the interstices of these large properties never had the opportunity to educate themselves, nor were they able to acquire the skills and capabilities that can only emerge from the interaction with other groups in society and that are needed in order to become significant economic and political actors in later years ([Fligstein, 2001](#)).

In slightly more than half of the territories we studied (e.g., Cariri in Brazil, Santo Tomás in Nicaragua, Susa and Simijaca in Colombia), we observed this self-reinforcing relationship between unequal land access, unequal power and asymmetric institutions, all leading to anemic growth and to widespread social exclusion. As found by [Arias et al. \(2012\)](#) in their study of Susa and Simijaca in Colombia, a dualistic agrarian structure was consolidated in this territory already through the *encomienda* system in the XVI century, and 500 years later it continued to influence the access of peasants and of small-scale rural entrepreneurs to the opportunities and benefits of the “dairy boom” that has characterized this territory in recent years. [Acemoglu and Robinson \(2012\)](#), although looking at far larger spatial scales, draw the same conclusion: “extractive institutions” are responsible for determining why some countries are poor, and such institutions are the result of power relations in society.

In a few of the territories studied we found a history of relatively equal access to land.⁵ In some cases, these social structures emerged over many decades, giving origin to classes of small and medium artisans, industrialists and traders. This was particularly the case when more inclusive agrarian structures were coupled with access to dynamic markets (as in Jauja, Peru, linked to the capital city of Lima, and Tungurahua that, through its main town, Ambato, was embedded in the main trade routes of Ecuador). The benefits of more inclusive land access were less pronounced in places like Cuatro Lagunas, Peru, or Chiloé, Chile, where smallholders and producers remained relatively isolated from regional and national markets until recent years.

Both types of territories show that agrarian institutions tend to reproduce themselves over time, with consequences, positive or negative, for present-day territorial development dynamics. Yet, other case studies give clues about the conditions under which such path-dependent processes can be altered. In some cases, agrarian reforms changed access to natural resources in what appears to be an irreversible way (e.g., Valle Sur-Ocongate en Perú; [Asensio & Trivelli, 2012](#)), creating the opportunity for territorial dynamics that are more inclusive economically and politically. Similar policies, however, in other territories such as Santo Tomás, Nicaragua ([Ravnborg & Gómez, 2012](#)) were frustrated by the power of entrenched actors who managed to defeat the new agrarian institutions and re-concentrate land.

In yet another group of territories, while land was relatively evenly distributed due to historic reasons (e.g., Chiloé, Chile,

or Tarija, Bolivia), contemporary territorial dynamics have become based on different natural resources (coastal waters in Chiloé, or gas in Tarija) control over which has been dominated from the outset by a handful of extra-territorial agents. In another variation, agrarian reforms were successful in establishing and stabilizing relatively equal access to land (e.g., Yucatán, Mexico), but new policies (such as the dismantling of state protection and of small farm support policies during structural adjustment and liberalizations processes) led to the displacement of the old dynamics and the emergence of altogether new economic activities that are largely decoupled from access to natural resources (for instance, manufacturing in the case of the territory studied in Yucatán). These three are examples of a rural territorial dynamic also found in other parts of Latin America in which agricultural land has lost its centrality, eroding the influence of agrarian institutions and of formerly powerful social actors. In many rural territories of Latin America, new economic activities, new resources, and therefore new sets of institutions and of social actors, are taking center stage, and this leads to changes in the territorial dynamics, sometimes, but certainly not always, in the direction of faster, more inclusive and more sustainable economic growth. Hollenstein and Ospina's paper in this volume addresses this issue.

(b) *Economic structures and linkages with dynamic markets*

The 20 territories that we studied have managed to boost their economies and grow using either of the following strategies: connection to dynamic markets or access to public or private transfers from outside the territory. However, the evidence shows that it is unlikely that growth based on public transfers will be sustained, unless such resources are capitalized within the territory and can generate some domestic engine of growth.

While the papers reveal the central role of dynamic markets in stimulating sustained growth in a territory, the studies also show that such linkages do not necessarily generate social inclusion or, even less, environmental sustainability. This potential combination of growth with inclusion depends, instead, on the ways in which “soft” factors (those highlighted by economic sociology) and “hard” factors (those emphasized by the new economic geography) interact. As shown in Escobal, Favareto, Aguirre and Ponce (this issue), “hard” factors (e.g., the advantages of location, privileged access to public goods and services, and proximity to a city) alone do not explain the reduction in inequality that has occurred in Tungurahua, Ecuador. Nor do they explain why the bulk of the benefits to the inhabitants of a territory will be generated in some cases via the agricultural labor market (ÓHiggins), but in others (e.g., Tungurahua and Valle Sur-Ocongate) via processes of diversification into non-agricultural sectors led by small-scale local producers. To understand these dynamics it is necessary to combine the role of “hard” factors with that of “soft” factors through which local actors succeed in modifying market relations. In the case of Tungurahua, for example, these combinations of hard and soft factors emphasize the centrality of inter-family relations, associated with trust and reciprocity, as key elements for the consolidation of a diversified and highly decentralized economic structure. In the case of ÓHiggins, hard and soft factors combined explain the rules of market exchange as the region's economic take-off happens after an important increase in public investment in transport and irrigation infrastructure that brought to the territory medium and large producers and triggered changes in the local labor market and in key input markets such as that

regulating access to water. Finally, in the case of Valle Sur-Ocongate, the combination of hard and soft factors allows us to understand how enhancing the market value of cultural assets has allowed the territory to compete through the differentiation of products and services. Gender systems also emerge as important determinants of labor market dynamics and, hence, of territorial economic development in Chiloé, Chile (Ramírez & Ruben, this issue), and in the Ostúa-Guija watershed, Guatemala where small and medium farmers led a process of labor-intensive agricultural development (Romero, Peláez, & Frausto, 2011).

The cases of Tungurahua in Ecuador or Santa Catarina in Brazil (Cerdan, Policarpo, & Vieira, 2012) suggest that when dynamic markets are linked with more diversified economic structures, there will be options for a wider range of linkages in the territories, which in turn opens up more opportunities to participate and benefit from the dynamics of growth. This wider range of linkages allows for the strengthening of the social capital of the actors in the territory and increases the chances that more inclusive growth coalitions might emerge. Both in the case of Valle Sur-Ocongate and Tungurahua, forms of governance have been built on fairly decentralized agricultural structures where there are a large number of small and medium producers that dominate the rural landscape, promoting local and regional trade. On the other hand, diversification of the productive structure is much greater in Tungurahua than in Valle Sur-Ocongate. Under those conditions, the forms of governance of the relationship with markets (rules of exchange and conceptions of control) are more favorable to the participation of the poor, based on trust relations and a more democratic access to information (Escobal *et al.*, this issue).

Secondly when links to dynamic markets are reinforced with more equitable structures of access to land and resources, economic growth opportunities are much higher; the contrast between Santo Tomas, in Nicaragua and Tungurahua, in Ecuador, highlights this finding. While in Santo Tomás the concentration of land has led to power structures that directed public investment in favor of the rich and facilitated the capture of the benefits coming from the linkages to dynamic markets (Ravnborg & Gómez, 2012), in Tungurahua the relatively more equitable distribution of land and access to irrigation water facilitated the consolidation of a segment of small producers and facilitated the installation of a dense system of local markets that underlies the inclusive growth dynamic that has characterized this territory (Ospina & Hollenstein, this issue).

The examples of Valle Sur-Ocongate and Tungurahua also show the importance of territories' connections to a regional market (Cusco in the case of Valle Sur, and Ambato in the case of Tungurahua). The dynamics of both territories are marked by the dynamism of these medium-sized cities. In both cases actors within the territories were able to build alliances or differentiate their products in ways that helped them face the competition from other suppliers of similar services and products. In the case of Valle Sur-Ocongate this was done by identifying products and services as having specific cultural content and being part of a “gastronomic route” for tourists. In Tungurahua a historical symbiosis between merchants and producers allowed for the emergence of a network of local markets centered in the city of Ambato that have allowed greater economic diversification throughout the region.

Many of the cases analyzed also show the effects that different types of public policies and investments can have on markets and production structures at the territorial scale. In ÓHiggins, Chiloé, Jiquiriçá, Valle Sur-Ocongate, and Cerrón Grande in El Salvador (Gómez & Cartagena, 2011) among others, infrastructure investment has opened the territory to new

productive opportunities that have triggered economic growth. The role that the State has fulfilled in guaranteeing property rights has also been evident. In other cases, however, public policies have had little or no effect if there are no local and/or extraterritorial institutions that enforce them. This is perhaps especially so for the case of policies protecting the local environment. The absence of enforcement explains the over-exploitation of aquifers in ÓHiggins (Escobal *et al.*, [this issue](#)) and the incursion into protected area land in Peñas Blancas, Nicaragua (Gómez & Cartagena, 2011). The evidence also shows that the scale and orientation of public investment can have significant impacts on the relative inclusiveness of growth. Investments in irrigation in O'Higgins and in roads in Santo Tomás, have greatly favored larger farms and firms, while in Tungurahua the combination of a dynamic city and an internal road network that supports a network of rural markets has made it easier for small and medium entrepreneurs to benefit from a range of public investments.

Finally, translocal economic networks have considerable influence over how the opportunities and benefits of growth are distributed. Some markets, by the nature of the product (e.g., organic coffee in Loja) attract a kind of extra-territorial actor that is more likely to foster pro-poor forms of market governance. Conversely markets based on the extraction of a natural resource (for example gas in Tarija) typically involve extra-territorial actors that impose limits to the relative inclusiveness of market governance. But even in these cases -as shown in the case of Tarija- there is room for maneuver, depending on the economic and social structures that are present in the territory. The existence of a long-standing agrarian bourgeoisie in Tarija has helped in developing a territorial coalition with greater capacity and power to confront extra-territorial actors and exercise greater control over the destinies of the income coming from the exploitation of the gas reserves (Hinojosa *et al.*, 2012).

(c) *Intermediate cities and rural-urban linkages*

Latin American rural societies no longer are constituted mainly by dispersed and relatively isolated villages, with little access to services, with a culture that is markedly different and even antagonistic to that of urban people, living off agriculture and other primary activities. In countries as diverse as Chile, Mexico, and Colombia, only 6%, 7%, and 17% of the population live in these "deep" rural areas. On the other hand, there is the myth that Latin Americans today are concentrated in large cities and huge metropolises like Sao Paulo or Mexico City; in fact, the 79 cities in the region with more than 750 thousand inhabitants, house 38% of the total population, declining to 34% by 2025 (United Nations, 2012). The space in between includes the larger share of contemporary rural societies in this region. It is a heterogeneous space, including territories that are largely rural but contain a small city of a few thousand inhabitants, to others in which a city with up to tens of thousands inhabitants dominates but is functionally intertwined with the surrounding rural hinterland (Berdegué, Bebbington, & Escobal, [this issue](#); da Veiga, 2002; De Ferranti, Perry, Foster, Lederman, & Valdé, 2005).

All of the 20 territories studied in the 11 countries maintain significant relations with one or more urban centers; nine of the 20 *contain* a small to medium city, with population ranging from 10,000 to 200,000. These are "rural cities" (Berdegué, Jara, Modrego, Sanclemente, & Schejtman, 2010) in the sense that they have some characteristics typical of an urban place (e.g., higher population density and greater access to more specialized services), as well as others which separate them

from larger urban agglomerations (e.g., a high percentage of their economically active population employed in agriculture). The urban core and the rural hinterland constitute a functional territory, in which each part is dependent on the other (although not equally dependent and certainly not on equal terms). The bonds that link both parts are diverse: the rural areas may be the sources of raw materials for the manufacturing sector in the central town (as in Santo Tomás, Nicaragua, or in Tungurahua, Ecuador); urban commerce may depend on rural consumers (as in O'Higgins, Chile); or a large number of urban dwellers work as wage workers in agriculture (as in Ostúa Guija, in Guatemala); or if rural students commute daily to attend high school, as in Jauja, Peru.

The territories that contain such cities, are rural-urban, and this condition gives them a set of advantages that facilitate economic growth and one that is socially more inclusive, or, at the very least, more conducive to faster and greater poverty reduction. Such conditions can be grouped in four classes. Each of these conditions is described in several of the case studies, and they include: better market access for rural producers (particularly for smaller and poorer ones that cannot afford to travel long distances to reach larger markets); access of local urban and rural firms to specialized services (e.g., financial services, IT); a larger demand for non-farm jobs (and a greater diversity of this kind of employment); greater access of women to the labor market. Also, cities (but only those above a certain size) attract organizations and individuals that improve the capacity of the territory for economic innovation, and they connect the territory to wider networks that are important in this respect. All of these economic functions have the potential to lead to two types of effects that are conducive for socially inclusive economic growth: (a) the retention within the territory of a larger share of the value added of the local economy, and (b) the emergence of economic structures that are more diversified both sectorally and in terms of types and sizes of firms.⁶

There are other mechanisms that are social or demographic. Such cities in otherwise rural territories are places of concentration of significant numbers of rural poor.⁷ This concentration increases the political recognition and facilitates the organization and representation of the rural poor. Our results demonstrate that in these rural territories there is a far smaller gap in access to basic services (education, health, and housing) between the poor and the non-poor, compared with deep rural territories. The case studies also suggest that migration of young people slows down in rural territories that have an urban core of a certain size.⁸ Finally, in some of the countries included in our study that had lived through violent conflict, these small and medium towns provide (relative) refuge for people from neighboring rural villages, as was documented for example in Santo Tomás, in Nicaragua.

Political and cultural conditions also change in rural territories. The greater presence of non-agrarian actors allows for the emergence of new elites and different arrangements between social groups (as in the Bolivian Chaco, or in Santa Catarina, Brazil). The origin of these new elites and social groups sometimes is external to the territory. But in other cases these groups have evolved from an initial agrarian base, differentiating themselves as they become involved in new types of economic activities. These elites and actors are equipped with new development discourses and agendas. For example, in territories as diverse as Tarija, Bolivia, Chiloé, Chile, Santa Catarina and Jiquiriçá, Brazil, Tungurahua and Loja, Ecuador, or Jauja, Peru, environmental awareness and mobilization has been promoted by NGOs, civil society organizations and local offices of government agencies, that prob-

ably would not be present in the territory in the absence of an urban center. These elites and social groups are also gatekeepers to networks that extend beyond the territory and that are markedly different from those in which agrarian actors are most prominent. And finally and paradoxically, the new elites also permeate agrarian actors and processes; several of the case studies show that new agricultural and agroprocessing enterprises involve investors and staff, whose objectives and visions about the territory are markedly different from those of the traditional landowners, large and small. Finally, these cities in rural territories also enhance contact with political actors (members of congress, political party leaders, and so on) and processes. Such visibility enhances the participation of these territories in public programs and, in addition, gives greater voice to local actors in influencing local adaptations of existing programs, to a greater extent than deep rural territories that are usually left in a “take it or leave it” position when it comes to negotiating with government agencies. In summary, these new social actors and elites play roles that can be decisive in changing the course of territorial development: (a) they increase the power of the territory in its dealings with external agents and processes; (b) link the territory to wider economic, social, political, and cultural processes; (c) capture and represent new ideas and development “models”; (d) capture and reinvest locally a greater share of value added; (e) enhance the human capital of the territory.

In each territory, these mechanisms (and others) work simultaneously. Some improve and others constrain economic growth, or social inclusion, or environmental sustainability. These mechanisms interact so the gains derived from one can be expanded or negated by others, and, of course, in each territory, and in different stages in the development of a territory, some mechanisms will be more meaningful and stronger than others. As a result, it is not a simple matter to predict what will be the net effect of these dynamics, although the analysis presented by Berdegué *et al.* (this issue) does conclude that, overall, having an urban center in an otherwise rural territory, will result in higher economic growth and in a net reduction of poverty, sometimes with an increase in income inequality, in comparison with the trends of deep rural territories.

(d) *Public investment*

In many of the 19 case studies, public investment played a significant role in shaping the territorial dynamic. The studies of O’Higgins in Chile (Ospina *et al.*, this issue) and of Santo Tomás in Nicaragua (Ravnborg & Gómez, 2012) are illustrative of ways in which public investment in public or private goods, can catalyze significant changes in territorial dynamics, although not necessarily in a more pro-poor direction. The rain fed sectors of O’Higgins region constituted a territory that was until recently renowned for its economic stagnation and its widespread poverty. Public investments in rural roads, public services, and changes in the regulations governing access to groundwater, led to large private investments that deeply changed the economic, social, and ecological landscape, accelerating poverty reduction in large part through the massive incorporation of rural women to jobs in the agribusiness sector. In Santo Tomás, government and international cooperation investments in rural roads, equipment for cold storage and processing of milk, and formation and strengthening of cooperatives, also changed the economic landscape, that in this case came together with increased concentration of property in land and the expulsion of poor peasants (the perverse statistical artifact of which was a “reduction” in the rate of poverty in the territory). In both O’Higgins and Santo Tomás,

there are quite significant processes of environmental degradation associated with these changes.

The important observation is that – in a way that is similar to the role of natural resource endowment- it is not so much the magnitude of the investment that matters in determining the resulting territorial dynamic as the way in which local actors and institutional arrangements relate to the investment decisions made outside the territory, as well as to their implementation. The effects of these investments are mediated by formal and informal institutions at the territorial level, and by the role of different actors and coalitions, in attracting, regulating, and controlling the type, localization, and flow of these investments.

In another of the case studies, not included in this issue, Gómez & Cartagena (2012) analyze the influence of large infrastructure investments in the northern bank of the Cerrón Grande wetland in El Salvador. Since the mid-1970s, the social construction of the territory as a provider of environmental service to the rest of the country has been the result of the interaction between external investment decisions (first, a large hydroelectric dam and, later, a major highway, both works of national significance) and the attempts of local actors and coalitions to resist, influence and take advantage of, the flow of resources. What is clear is that while these investments have changed the ecological and the economic landscape of the territory, they have not resulted in any kind of virtuous cycle of localized economic growth with social inclusion and environmental sustainability. Gomez and Cartagena conclude that the territory has lacked a social coalition with the composition, assets and power to prevail with its own development vision and agenda over that which is brought into being by external decisions about these large infrastructural investments.

Finally, the case study of the Valle Sur-Ocongate territory in the Southern Andes of Peru also sheds light on this topic. Here public investment is financed by the fees and royalties that mining companies must pay to the state, a fraction of which is turned over to district governments. The availability of this new and more flexible source of public funding in the second half of the 1990s coincided with a social and political process that saw a profound change in the profile of elected local authorities, in favor of local leaders who emerged from rural indigenous communities, had educational and work experience in nearby Cusco,⁹ and were armed with a development discourse that combined a developmentalist tradition derived from the NGOs in which many of them had worked and a strong vindication of indigenous culture. Such “modernizing indigenism” (*indigenismo modernizante*: Asensio & Trivelli, 2012), was the basis of new territorial coalitions that have been deeply influential in shaping the course of territorial development toward greater social inclusion.

(e) *Actors, coalitions, agency*

We have insisted that the social structures and institutional arrangements that underlie territorial dynamics tend to be stable over time, and that such stability is actively produced by those social actors who benefit from the status quo. The development trajectory of a territory only changes when interested social actors exert pressure in support of institutional change. In the preceding sections we have given evidence that the types of social actors, as well as the capacities and capabilities that they have, are influenced by such factors as agrarian structures and institutions of natural resource governance, markets, economic structures, cities, and public investments. Changes, interactions, even slight displacements in any of these factors create opportunities for institutional change. The realization of that opportunity depends on the existence of social actors

that have the resources, capabilities, power, and ideas to move territorial development in a different direction.

Human agency takes many different forms in these territories, from social movements as in the case of Tarija, Bolivia, with Guaraní indigenous communities and their allies facing a major multinational corporation and the Bolivian state; to epistemic communities of dedicated and committed bureaucrats insisting on the lawful enforcement of environmental regulations in Estelí, Nicaragua; to tacit territorial coalitions combining private investors and government functionaries in O'Higgins, Chile; to coordinated and politically oriented social coalitions elaborating an explicitly developmentalist platform with a long-term vision and capturing local government in Tungurahua, Ecuador. Of these diverse forms of collective action, the “Tungurahua model” probably¹⁰ contains the greatest potential to lead development in the direction of socially inclusive and environmentally sustainable growth, for reasons that we discuss below.

Building on results from the 20 territories studied in this program, Fernández, Asensio, Trivelli, and Schetjman (2014) addressed the existence, form, and function of territorial social coalitions in six of these. They define a territorial social coalition as “a group of different actors that carry out convergent actions around a territorial development dynamic.” These territorial coalitions can be described according to five characteristics: their composition; the objectives that their members share or around which they converge; their medium- and long-term visions of development; the types of assets, capitals, and capabilities under their control and that confer them power; and their domain of action (a territory).

On the basis of these characteristics, Fernández *et al.* (2014) build an “ideal” type of a “transformational territorial social coalition”, as an analytic lens that they use to look at the evidence from the case studies. Such an ideal transformative social coalition, they argue, is socially inclusive and represents a variety of actors, who tacitly or explicitly share or converge over some important development objectives even though their motivations can be quite divergent and they may be in conflict or disagreement over many other issues. The actors in the coalition engage in collective action with a long-term perspective and enjoy sufficient power to at least contest the dynamic of development. This power is based on a combination of different capitals (economic, political, social, cultural) provided by the different members, so that none is in a fully subordinated position with respect to others in the coalition. Finally the ideal coalition is capable of socializing and legitimizing its view and strategy of development such that these are gradually accepted and even internalized by other sectors in the territory.

Assessed against this analytic lens, not all the social coalitions that Fernández *et al.* (2014) studied passed the test. The case studies showed that coalitions were strongly influenced by how they negotiate the dilemmas between economic growth and social inclusion. Some coalitions are focused on promoting economic growth (growth coalitions: c.f. Rudel, 2009), and this is related to their having a narrow social base, to the capitals that they control and mobilize and to the institutions and institutional changes they prioritize. Other coalitions prioritize distributional objectives or, more generally, a social inclusion agenda. This also has consequences for the members of the coalitions, and especially for the sources of their legitimacy, their discourse, and their power, and their ability to persuade others to share their view of development. Only in two cases, in Tungurahua, Ecuador, and in Quispicanchi, Peru, were Fernández *et al.* (2014) able to conclude that there were transformational territorial social coalitions that had actually managed to combine and achieve growth and inclusion more or

less simultaneously.¹¹ In these cases, and particularly in Tungurahua, the membership of the coalition was especially broad and as a collective actor it had come close to becoming a hegemonic force, turning its broad and strong legitimacy into successful political and electoral action, allowing it to win and retain the provincial government since 2000 until today.¹²

The study of these different coalitions leads Fernández *et al.* (2014) to six conclusions: (a) none of the coalitions are fully successful in their objectives, nor are they always successful in the same ways or in a single frame of time. A key factor is that few coalitions are capable of sustaining themselves over long enough periods of time because they are fragile and depend on a particular constellation of power relations and on the changing interests of the individual actors. (b) The origin of the coalitions is linked to changes in the perceived set of incentives, and a significant part of the effort is directed at evidencing and responding to the new context of opportunities and constraints. To do so, coalitions resort to building alliances and to elaborating a discourse that legitimizes them. This early positioning is critical in shaping the capacity of the coalition to affect institutional change. (c) Changes promoted by the coalitions can take the form of abrupt and even radical ruptures, provoked by internal or external shocks and forces, opening space for deep changes in relatively short periods of time. Changes can also happen cumulatively and gradually, without the obvious presence of a turning point, in line with the modalities suggested by Mahoney and Thelen (2011). (d) Social coalitions help external impulses for change to take root in a territory and to gain allies and support – in this way they bridge the territorial and extraterritorial drivers of change and help embed global production networks within territories. The more successful territorial coalitions are those that have been capable of acting in different arenas, from the territorial to national and, in some cases, international scales. (e) The most transformational coalitions are also characterized by the presence, reflective capacity, and assertiveness of social actors that have traditionally been excluded. The greater this presence, the more the coalition will tend to emphasize an inclusive development agenda. That said, in some of the case studies, the social coalition itself led to the strengthening of this capacity for reflexive agency of the poor. (f) Finally, another important factor is the way in which coalitions build their own legitimacy, that is, the way in which they manage to have the coalition's objectives accepted as valid by other actors in the territory and elsewhere.

3. CONCLUSIONS

We prioritize three empirical conclusions. First, the history of territories has a tremendous weight in shaping development, and in Latin America this history does not favor dynamics of inclusive and sustainable growth. Such history manifests itself in social structures in the territories, as well as in the deeply embedded ideas, norms, and values that social actors take for granted in their daily practice. This would appear to be evident, and yet we see that the majority of rural development policies are designed as if territories were flat, lacking a past and free of any deeply rooted constraint, as if the will of the policy maker is all that is needed to reach the intended objectives.

The second conclusion is that territories can only be understood in relation to larger systems of which they are a part and that, as a result, progressive change never derives only from within the territory itself. The larger economic, political, cultural, and environmental trends, intensified by globalization, reduce the autonomy of territories. Territorial societies have a limited range of options, and it is increasingly the case that rural

societies are structured by the same rules that structure development in general. And yet, there is much territorial diversity that cannot be explained by geographical factors alone. Territorial societies maintain a degree of influence over the course of their development, and territories are not simple weather-vanes turning in whichever direction the wind blows. Our research program allows us to conclude that existing territorial structures, institutions, and actors, *process* the ideas, shocks, and incentives that come from larger systems. This is why the same law, policy, or economic shock, can have such different effects in different territories. Another corollary is that the interplay of structures, institutions, and forms of human agency in each territory will necessarily have a deep and often decisive influence on the location-specific results of public policies that are wrongly assumed to be “spatially blind” (c.f. World Bank, 2009). We return to this issue when we discuss our policy conclusions.

Our third empirical conclusion is that there are a significant number of rural territories in Latin America that have experienced dynamics of inclusive and sustainable growth. Very often these are not places with no or little poverty or inequality, nor are they record-breaking economies. They are, simply, places that are steadily showing improvement along each of these often contradictory dimensions of development. If these dynamics are possible, even in countries where the larger trends are less than bright, then we argue that they are dynamics that could be politically induced elsewhere.

We now turn to some policy conclusions. First, spatially blind sectoral policies alone will continue to fall short of rural development needs and expectations. If sectoral policies do not internalize spatial differences, they will inevitably have quite different results when they land in territories characterized by different histories, institutions, structures, and crucially, social actors with different visions of what constitutes development. This alone explains so many failures of spatially blind rural development policies. Hence, we propose that rural development strategies need to make far greater use of territorial policies and instruments.

Territorial development policies do not replace, nor are they “better” than sectoral policies. But without a territorial development strategy with its corresponding policies and instruments, there are at least two objectives that sectoral policies will not be able to achieve. They will not enable each territory to express its full development potential, and nor will they close territorial inequalities along those dimensions of wellbeing that each society has reason to value. Both objectives converge on the notion of territorial cohesion that, we propose, should be considered an important normative dimension of development. The quality of development is different if, for example, the national indicators of economic growth are high because a few places have grown a lot while the majority stagnated, than if the national aggregates are the result of the majority of territories doing better, but on a modest scale. Development is fragile if it is blind to increased spatial polarization, or if total poverty reduction is an arithmetical artifact of people in a few places having more and better jobs while others in many other territories are less poor in monetary terms because they are receiving government cash subsidies. Such examples are not literary flourishes: they are all grounded in the results of our research.

One policy question was not resolved by the Rural Territorial Dynamics program: in countries that are developing with little territorial cohesion, as is the case in all the 11 that we studied, who is paying the consequences? Only those that live in the “wrong place”, or the country as a whole? Without even dealing with the ethical issues implicit in the question, Does territorial inequality *in and of itself* lead to lower rates of eco-

nomic growth or of aggregate poverty reduction? There are theoretical and empirical elements to suggest that this could well be the case (Brühlhart & Sbergami, 2009; Cerina & Mureddu, 2011; Williamson, 1965), particularly in middle-income countries, but the answer to this question is still pending.

Based on the results of the Rural Territorial Dynamics program, what should be the core elements of territorial development strategies and of the policies through which such a strategy might be implemented? First, policies should seek to achieve institutional change at the territorial level in each of the five domains that we have identified as critical for the emergence of dynamics of growth with social inclusion and environmental sustainability. There is already much accumulated knowledge and policy experience in promoting more inclusive institutions in each of these bundles of factors.

Secondly, territorial development strategies need to invest a great deal in strengthening the capacities of territorially based social actors, including their capacity to see and do things differently. This is a particularly challenging objective, if for no other reason than it requires as a *sine qua non* condition, that centrally located actors, particularly those in positions of power in national governments, transfer decision-making power to territorial societies.

There are neither magic bullets nor short and direct routes to territorial development. Localized virtuous cycles of socially inclusive and environmentally sustainable growth, will be a unique creation in each territory, as each place is unique in its history, its circumstances, its capacities and its constraints. There is no other way but for each territory to do its own development within the range of options made possible by national conditions. If we had to summarize our answer to the question of what is a “successful territory”, we would say that it is one whose actors gradually acquire the capacity to act upon small fissures in the status quo, to widen them according to their own understanding of what development is about and to effect measurable (if not enormous) advances in growth, poverty, inequality, and environmental integrity. If this is so, then rural development policies should above all involve creating space, time, and opportunity for actors in the territories to do their own job. This means policies that recognize that territorial actors must have decision-making authority over their development strategies and initiatives, and that make available the investments, supports, and incentives to strengthen the capacities of territorial actors, including their capacity to think/act in a coordinated or collaborative manner.¹³

How then does a policy construct agency at the territorial level? The results from a previous Rimisp research program on social movements and territorial development (Abramovay, Magalhães, & Schröder, 2008; Bebbington, Abramovay, & Chiriboga, 2008; Bebbington, Dani, de Haan, & Walton, 2008; Vera, Coelho, & Favareto, 2008; Ospina Peralta, Santillana Ortiz, & Arboleda, 2008) confirm that social engineering efforts to build agency, usually end up creating bureaucratic organizations empty of vitality and capacity to innovate, or in new forms of corporativism which regardless of their progressive narratives still end up being clientelistic (Ospina Peralta *et al.*, 2008). The analysis of the development of the few cases of territorial coalitions that have actually led their territories in a direction toward more socially inclusive and environmentally sustainable growth, suggests that the emphasis should be on widening *political opportunities* and on creating *incentives* so that actors in territories interact and develop their collective action according to the forms, rhythms, and objectives of their own choosing. This is a different strategy than that used by policies that *de facto* seek to have a defining influence on who participates, how they participate, the

milestones and deadlines of participation, and the goals and purposes of the whole effort. Territorial development means valuing the development of autonomous social actors (c.f. Escobar, 2008).

This of course has a number of substantive implications for international and national development policy decision-makers. One is about who has the authority to decide what. Another is about the time frames of development. A third has to do with the role of the State as guarantor of transparent and non-discretionary institutions so that actors with greater power in the territory cannot surpass certain boundaries with impunity, and thus have a greater incentive to value certain basic agreements about the nature of the civic game.

It is evident that in societies that are deeply unequal in the first place, developing the capacity for agency of social actors demands a very important component of positive discrimination favoring those with less power, the poor, and the socially excluded. If this is not part of the strategy, then territorial coalitions in all likelihood will not include these sectors of society, nor will their agendas respond to their interests and priorities.

NOTES

1. In fact, 20 case studies were started, but the final report of one of them was not accepted during the program's quality control process, and thus we never considered this case study in our analyses.

2. An ongoing but yet unfinished study in Chile, Peru, and Mexico, apparently will confirm that several of these territories have indeed been in this condition of economic and social stagnation, or worse, for several decades, a longer span of time than the one we looked at in the RTD program.

3. We should, however, warn the reader that our research strategy based on a sizable and yet limited number of case studies, implies that our results and interpretation should strictly speaking be considered a hypothesis that needs to be tested with additional and independent work.

4. Here it is important to highlight, as we have done in the introductory article in this special issue, that our analytical and policy concern is not growth, or social inclusion, or environmental sustainability, but dynamics in which there is *simultaneous* progress in the three objectives.

5. In each case resulting from highly idiosyncratic historic events, such as a particular alliance in what is today Jauja between the Spanish conquerors and the local inhabitants, to defeat the then dominant power of the Inca empire; such alliance was rewarded with being exempted from "extractive institutions" (Acemoglu & Robinson, 2012) of the rules imposed by the new colonial power.

6. On the other hand, it is possible that these same economic mechanisms lead to greater inequality between the people in the urban core and those in the surrounding rural area within the same territory. The study by Berdegué *et al.* (this issue) confirms that this is a possible and, above certain city-size, a probable outcome.

7. For example, in Nicaragua, one of the least urbanized countries in our study, the deep rural municipalities have, in total, four times less

The third priority is to reduce territorial development gaps, not through expansion of the capacities of territorial societies as has been discussed above, but by means of targeted national policies. The program that we have presented in this special issue has documented very large spatial gaps in dozens of development indicators. In several countries we have found a process of increasing spatial polarization rather than one of convergence. This suggests two themes that require attention. The first is to design policy instruments that have the explicit objective of closing specific development gaps (e.g., in education, infrastructure, local government capacity, and so on) through targeted investment in lagging territories. The second is more complex, and it has to do with removing the blinds from sectoral policies that until now treat all territories as identical. The spatially differentiated results, outcomes, and impacts of spatially blind policies must be made evident, and policy design processes should recognize these differences in order to include ways to avoid, mitigate, or at least compensate spatially differentiated policy results, outcomes, and impacts.

poor persons than *rurban* municipalities with less than 100,000 inhabitants.

8. Although our results indicate that this effect is stronger with relatively less educated young persons, and also with young men is more effective than with young women.

9. A regionally important city of about 400,000 inhabitants during the period covered by the case study.

10. We need to be particularly careful in this part of our analysis, as in the 19 case studies we had a small minority that approached the conditions that we will discuss in this section of the article. This is not strange: if we found that only in a small minority of the 10 thousand territories we found WWW-W conditions, we could not expect to find a large proportion of success stories in the case studies, even if we selected them purposefully to be illustrative of the most promising dynamics.

11. Although in the Peruvian territory, poverty levels continued to be very high and growth processes were still timid. The coalition in this territory had been in place for only a few years, while the one in Ecuador had a history of decades and roots that went ever further back in time.

12. In the latest provincial elections, in February 2014, the political forces representing this coalition, obtained over 50% of the popular vote, well ahead of the competing political alternatives. By the end of the period, the coalition will have governed Tungurahua for two decades.

13. In another initiative that followed on the footsteps of the Rural Territorial Dynamics program, many of the same partners are actively engaged in designing and supporting large-scale territorial development policies and programs that are based on this idea. This is taking place in Chile, Colombia, Mexico, and Peru, and the implementation of at least some of these new policies and programs should start in 2015.

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APPENDIX A. SUPPLEMENTARY DATA

Supplementary data associated with this article can be found, in the online version, at <http://dx.doi.org/10.1016/j.worlddev.2014.10.018>.

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