

Republic of Paraguay  
Presidency of the Republic  
Ministry of Finance

Inter-Institutional Coordination  
Committee of Counterparts (ICCC)

Republic of Paraguay

The Development Study on Plan of Integrated Rural  
Development for Small Farmers

Final Report

October 2011

Japan International Cooperation Agency (JICA)

IC Net Limited  
Nippon Koei Co., Ltd.

RD
JR
11-058

Republic of Paraguay  
Presidency of the Republic  
Ministry of Finance

Inter-Institutional Coordination  
Committee of Counterparts (ICCC)

Republic of Paraguay

The Development Study on Plan of Integrated Rural  
Development for Small Farmers

Final Report

October 2011

Japan International Cooperation Agency (JICA)

IC Net Limited  
Nippon Koei Co., Ltd.

## ***Foreword***

In response to a request from the Government of the Republic of Paraguay, the Government of Japan decided to conduct a development study on “the Development Study on Plan of Integrated Rural Development for Small Farmers” and entrusted the study to the Japan International Cooperation Agency (JICA).

JICA selected and dispatched a study team headed by Dr. Toshiyasu KATO of IC Net Limited and consists of IC Net Limited and Nippon Koei CO., LTD. between February, 2009 and August, 2011.

The team held discussions with the officials concerned of the Government of the Republic of Paraguay, and conducted field surveys at the study area. Upon returning to Japan, the team conducted further studies and prepared this final report.

I hope that this report will contribute to the promotion of the project and to the enhancement of friendly relationship between our two countries.

Finally, I wish to express my sincere appreciation to the officials concerned of the Government of the Republic of Paraguay for their close cooperation extended to the study.

October 2011

Izumi TAKASHIMA  
Deputy Vice President  
Japan International Cooperation Agency

Mr. Izumi TAKASHIMA  
Deputy Vice President  
Japan International Cooperation Agency

### *Transmittal Letter*

It is my great pleasure to hereby submit the final report on “the Development Study on Plan of Integrated Rural Development for Small Farmers” in the Republic of Paraguay.

This report was prepared jointly by the Technical Management Unit which consists of senior technical officials of 8 ministries and agencies and the JICA consultant team, under the overall supervision of the Inter-Institutional Coordination Committee of Counterparts (“Steering Committee”) created by a Presidential Order. The Presidency of the Republic served as political coordinator, and the Ministry of Finance as implementation coordinator.

The target area of the current study is 14 departments in the Eastern Region, which is located in the east side of the Paraguay River that runs through the center of the country, and is the area where more than 95 percent of the Paraguayan population lives. Despite the recent economic growth, there remain a number of key challenges to be addressed, such as the high incidence of poverty in rural areas, the high inequality of income and land ownership, the presence of many small producers who do not have a competitive edge and cannot access emerging markets, and soil erosion. The Government of Paraguay has made poverty reduction and support for socially vulnerable people the top priority, and has been taking several measures to address them. And yet, there is still an urgent, critical need to formulate medium- and long-term strategies for rural development, and to establish mechanisms to realign organizations and institutions to support rural areas.

The main contents of this report are the Guidelines for Paraguay to formulate a “Strategy for Sustainable Development of Rural Territories,” based on the territorial approach. The Guidelines adopt “Vision 2030,” the super long-term goal, and propose a set of strategic lines in the medium- and long-term (“pillars” and “axes”) to achieve the Vision at the Eastern Region and sub-region levels. Moreover, they propose institutional arrangements for the implementation of the Strategy, and a roadmap to establish them. Those proposals are based on a set of studies on the multiple dimensions of the territorial approach, and on the results of a series of workshops which were attended by a broad range of stakeholders from central ministries and agencies, department and district governments, the private sector, research and education institutions, and civil society organizations. It is my sincere hope that, based on the Guidelines, the Government of Paraguay would adopt the Strategy for Sustainable Development of Rural Territories as a national policy, and implement the Strategy vigorously.

Finally, on behalf of the JICA consultant team, I wish to express my heartfelt appreciation to the Presidency of the Republic of Paraguay, the Ministry of Finance, other concerned ministries and agencies, and the JICA for their generous support and cooperation throughout the implementation of this study.

October 2011

Toshiyasu KATO  
Consultant Team Leader  
Development Study on Plan on  
Integrated Rural Development for  
Small Farmers in Paraguay

## *PREFACE*

---

This study was conducted under the overall supervision of the Committee for Inter-institutional Coordination of Counterparts (CIMC), in which the Social Cabinet of the Presidency of Paraguay is responsible for policy coordination and the Ministry of Finance for implementation coordination under the Decree 648/08 (October 24, 2008), and in accordance with the Scope of Work (August 27, 2008) agreed between the Ministry of Finance of Paraguay and the Japan International Cooperation Agency (JICA). Activities for the study were carried out by the Technical Management Unit (UTG), comprised of representatives from the Social Cabinet of the Presidency, Ministry of Finance, Ministry of Agriculture and Livestock, Ministry of Public Work and Communication, Ministry of Industry and Commerce, Economic Planning Agency, Environment Agency, National Institute of Rural Development and Land, in cooperation with the JICA Study Team. This study was completed in October 2011.

This Final Report will present the Guideline to Formulate the Strategy for Sustainable Development of Rural Territories, created jointly by the UTG and the JICA Study Team. The guideline was prepared for the purpose of introducing into Paraguay the territorial approach to sustainable rural development, which has grown popular in recent years in Central and South Americas. To encourage widespread application of the approach, the guideline offers detailed explanations of its basic concepts and proposes long-term visions, strategies, implementation structures, and work schedules for adopting the approach in a step-by-step manner. Based on the guideline, the Paraguay Government is expected in the near future to adopt the National Strategy for Sustainable Development of Rural Territories as national policy and to implement the national strategy.

The final deliverable of this study was previously called the “Master Plan.” The UTG and the JICA Study Team, however, agreed to call it a “guideline” instead, because of the common belief that 1) a national strategy should be created by the Government, and 2) the term “master plan” gives the impression of a top-down approach to development planning, which goes against the concept of participatory and democratic development that forms the conceptual foundation of the territorial approach. Both the UTG and the JICA Study Team are listed as authors of the attached guideline, as it is the result of collaborative work between the two parties.

The Final Report consists of the following three parts.

Part I : Executive Summary

Part II : Main Report of the Guideline to Formulate the Strategy for Sustainable Development of Rural Territories

Part III: Annexes of the Guideline to Formulate the Strategy for Sustainable Development of Rural Territories

# *CONTENTS*

▪

GUIDELINE TO FORMULATE THE STRATEGY FOR SUSTAINABLE DEVELOPMENT OF RURAL TERRITORIES

PART I EXECUTIVE SUMMARY

PART II MAIN REPORT

CHAPTER 1. INTRODUCTION

CHAPTER 2. RURAL TERRITORY AS A FOCUS OF SUSTAINABLE DEVELOPMENT

CHAPTER 3. DYNAMICS OF RURAL AREA

CHAPTER 4. A NEW STRATEGY

CHAPTER 5. DIFFERENTIATING STRATEGY BY SUB-REGION

CHAPTER 6. INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION OF THE STRATEGY

CHAPTER 7. CHALLENGES AND REQUIREMENTS TO IMPLEMENT SUCCESSFULLY THE STRATEGY

FOR SUSTAINABLE DEVELOPMENT OF RURAL TERRITORIES IN PARAGUAY

CHAPTER 8. BIBLIOGRAPHY

=

PART III ANNEX (*SEPARATE VOLUME*)

ANNEX 1. CLASSIFICATION OF SUB-REGIONS: METHODOLOGY, DATA AND RESULTS

ANNEX 2. PROPOSED PROJECTS

ANNEX 3. EXAMPLES OF STRATEGIC DEVELOPMENT PLAN AT THE TERRITORY LEVEL

ANNEX 4. PILOT PROJECTS: RESULTS AND LESSONS LEARNED

ANNEX 5. ACTION PLAN FOR CAPACITY DEVELOPMENT IN THE PUBLIC SECTOR

ANNEX 6. SUMMARY OF THE STUDY ON INHIBITORY FACTORS OF DEVELOPMENT

# *MEMBER LIST OF THE STUDY*

## **PARAGUAY**

### **National Authorities**

MIGUEL ÁNGEL LÓPEZ PERITO	SECRETARIO GENERAL Y JEFE DE GABINETE CIVIL DE LA PRESIDENCIA DE LA REPÚBLICA
DIONISIO BORDA	MINISTRO DE HACIENDA Y JEFE DEL EQUIPO ECONÓMICO NACIONAL
CÁNDIDO VERA BEJARANO	MINISTRO DE AGRICULTURA Y GANADERÍA (HASTA MAYO 2009)
ENZO CARDOZO	MINISTRO DE AGRICULTURA Y GANADERÍA (A PARTIR DE MAYO 2009)
FRANCISCO RIVAS ALMADA	MINISTRO DE INDUSTRIA Y COMERCIO
EFRAÍN ALEGRE	MINISTRO DE OBRAS PÚBLICAS Y COMUNICACIONES (HASTA JUNIO 2011)
CECILIO PÉREZ BORDÓN	MINISTRO DE OBRAS PÚBLICAS Y COMUNICACIONES (A PARTIR DE JUNIO 2011)
CARLOS SÁNCHEZ LEÓN	MINISTRO SECRETARIO EJECUTIVO DE LA SECRETARÍA TÉCNICA DE PLANIFICACIÓN (HASTA SETIEMBRE 2009)
BERNARDO ESQUIVEL	MINISTRO SECRETARIO EJECUTIVO DE LA SECRETARÍA TÉCNICA DE PLANIFICACIÓN (A PARTIR DE SETIEMBRE 2009 HASTA MARZO 2011)
HUGO ROYG	MINISTRO SECRETARIO EJECUTIVO DE LA SECRETARÍA TÉCNICA DE PLANIFICACIÓN (A PARTIR DE MARZO 2011)
OSCAR RIVAS	MINISTRO SECRETARIO EJECUTIVO DE LA SECRETARÍA DEL AMBIENTE

### **Members of Senior Management Level**

MANUEL VIDAL CABALLERO	VICEMINISTRO DE ECONOMÍA E INTEGRACIÓN DEL MINISTERIO DE HACIENDA
ANDRES WEHRLE	VICEMINISTRO DE AGRICULTURA DEL MINISTERIO DE AGRICULTURA Y GANADERÍA (A PARTIR DE MAYO 2009)
BERNARDO ESQUIVEL	MINISTRO SECRETARIO EJECUTIVO DE LA SECRETARÍA TÉCNICA DE PLANIFICACIÓN (A PARTIR DE SETIEMBRE 2009 HASTA MARZO 2011)

HUGO ROYG

UNIDAD TÉCNICA DEL GABINETE SOCIAL,  
PRESIDENCIA DE LA REPÚBLICA (HASTA MARZO  
2011)

OSCAR RIVAS

MINISTRO SECRETARIO EJECUTIVO DE LA  
SECRETARÍA DEL AMBIENTE

JORGE TALAVERA

DIRECTOR EJECUTIVO DE LA UNIDAD TÉCNICA DEL  
GABINETE SOCIAL, PRESIDENCIA DE LA REPÚBLICA  
(A PARTIR DE SEGUNDO AÑO)

ALBERTO ALDERETE

PRESIDENTE DEL INSTITUTO NACIONAL DE  
DESARROLLO RURAL Y DE LA TIERRA (HASTA ABRIL  
2010)

EUGENIO ALONSO

PRESIDENTE DEL INSTITUTO NACIONAL DE  
DESARROLLO RURAL Y DE LA TIERRA (A PARTIR DE  
ABRIL 2010 HASTA ABRIL 2011)

MARCIANO BARRETO

PRESIDENTE DEL INSTITUTO NACIONAL DE  
DESARROLLO RURAL Y DE LA TIERRA (A PARTIR DE  
ABRIL 2011)



## **Members of Technical Management Level**

### **MINISTRY OF FINANCE (MH)**

ANDRES WEHRLE	ASESOR DEL GABINETE DEL MINISTRO (HASTA JUNIO 2009)
DOMINGO BENÍTEZ	REPRESENTANTE TÉCNICO (COORDINADOR TÉCNICO, HASTA JUNIO DE 2010)
HUMBERTO COLMAN	DIRECTOR DE ESTUDIOS ECONÓMICOS DE LA SUBSECRETARÍA DE ECONOMÍA E INTEGRACIÓN (COORDINADOR TÉCNICO A PARTIR DE JUNIO 2010)
FRANCISCO OGURA	ASESOR DE LA SUBSECRETARÍA DE ECONOMÍA E INTEGRACIÓN (REPRESENTANTE TÉCNICO A PARTIR DE JUNIO 2009)
ABEL ORUÉ	JEFE DEL DEPARTAMENTO DE ESTUDIOS DE DESARROLLO DE LA DIRECCIÓN DE ESTUDIOS ECONÓMICOS, SUBSECRETARÍA DE ECONOMÍA E INTEGRACIÓN (SEGUNDO AÑO)
CARMEN MARIN	ANALISTA ECONÓMICO DEL DEPARTAMENTO DE ESTUDIOS DE DESARROLLO DE LA DIRECCIÓN DE ESTUDIOS ECONÓMICOS, SUBSECRETARÍA DE ECONOMÍA E INTEGRACIÓN (SEGUNDO AÑO)
STELLA GUILLÉN	ASESOR DEL GABINETE TÉCNICO DEL MINISTRO (SEGUNDO AÑO)

### **TECHNICAL UNIT OF THE SOCIAL CABINET OF THE PRESIDENCY OF THE REPUBLIC**

SHIRLEY CAÑETE	REPRESENTANTE TÉCNICO
----------------	-----------------------

### **MINISTRY OF AGRICULTURE AND LIVESTOCK (MAG)**

MARCIANO BARRETO	DIRECTOR GENERAL DE PLANIFICACIÓN (HASTA MARZO DE 2011)
PÁNFILO ORTÍZ	DIRECTOR GENERAL DE PLANIFICACIÓN (A PARTIR DE MARZO 2011)
CARLOS ROMERO	DIRECCIÓN GENERAL DE PLANIFICACIÓN
LETICIA TORRES	ASESOR DEL VICEMINISTERIO DE AGRICULTURA (REPRESENTANTE TÉCNICO, JUNIO – DICIEMBRE 2010)
DIANA GÓMEZ	REPRESENTANTE TÉCNICO DE LA DIRECCIÓN GENERAL DE PLANIFICACIÓN
ANA ZAVALA	REPRESENTANTE TÉCNICO DE LA DIRECCIÓN GENERAL DE PLANIFICACIÓN

### **ECONOMIC PLANNING AGENCY (STP)**

PAULINO VILLAGRA	DIRECTOR GENERAL DE DESARROLLO TERRITORIAL E INTEGRACIÓN REGIONAL (REPRESENTANTE HASTA AGOSTO 2010)
MARIO RUIZ DÍAZ	DIRECTOR GENERAL DE PLANIFICACIÓN Y POLÍTICAS PÚBLICAS (REPRESENTANTE A PARTIR DE AGOSTO 2010)
CARMELO ARANDA	REPRESENTANTE TÉCNICO
BRAULIO BAREIRO	REPRESENTANTE TÉCNICO

### **NATIONAL INSTITUTE OF RURAL DEVELOPMENT AND LAND (INDERT)**

BEATRIZ FERREIRA	GERENTE DE DESARROLLO RURAL
ALFONSO PASTOR CABANELLAS	REPRESENTANTE TÉCNICO
OSCAR BENÍTEZ	ASESOR DE LA PRESIDENCIA
ROBERTO ESCURRA	DIRECTOR DE CAMPOS COMUNALES
MARÍA ELENA TORRES	ASESOR LEGAL

### **ENVIRONMENT AGENCY (SEAM)**

BEATRIZ SILVERO	JEFA DE GABINETE DEL MINISTRO
CARLOS BRITOS	REPRESENTANTE TÉCNICO
GUSTAVO GONZÁLEZ	REPRESENTANTE TÉCNICO

### **MINISTRY OF INDUSTRY AND COMMERCE (MIC)**

AMILCAR CAZAL	DIRECTOR DE PROGRAMAS SECTORIALES RED DE INVERSIONES Y EXPORTACIONES
---------------	-------------------------------------------------------------------------

### **MINISTRY OF PUBLIC WORKS AND COMMUNICATION (MOPC)**

MARÍA ELENA BARBOZA	REPRESENTANTE TÉCNICO (SEGUNDO AÑO)
SANTIAGO TRINIDAD	REPRESENTANTE TÉCNICO (SEGUNDO AÑO)
ROBERT BENTO	REPRESENTANTE TÉCNICO (SEGUNDO AÑO)

## **JAPAN**

### **JICA HEADQUARTERS**

TERUYOSHI KUMASHIRO	DIRECTOR, DIRECCION DE DESARROLLO RURAL
SHUNICHI NAKADA	ASESOR, DIRECCION DE DESARROLLO RURAL
HIDEYUKI MARUOKA	DIRECTOR ADJUNTO, DIRECCION DE DESARROLLO RURAL
MICHIKO UMEZAKI	DIRECTOR ADJUNTO, DIRECCION DE DESARROLLO RURAL
TOMOYUKI OKI	JEFE, DEPARTAMENTO DESARROLLO AGRICOLA
YOSHIFUMI YAMANAKA	OFICIAL DE DEPARTAMENTO DESARROLLO AGRICOLA

### **JICA PARAGUAY OFFICE**

HIDEMITSU SAKURAI	REPRESENTANTE RESIDENTE (HASTA MARZO 2010)
MAKOTO KITANAKA	REPRESENTANTE RESIDENTE (DESDE ABRIL 2010)
YUTAKA IWATANI	REPRESENTANTE RESIDENTE ADJUNTO (HASTA MARZO 2010)
SUGURU NAKANE	REPRESENTANTE RESIDENTE ADJUNTO (DESDE ABRIL 2010)
KAZUO FUJISHIRO	DIRECTOR GENERAL DE COOP. TECNICA Y FINANCIERA
TOSAO WATANABE	DIRECTOR DE COOP. TECNICA Y FINANCIERA
ANDRES MOLINA	COORDINADOR (HASTA MARZO 2010)

### **JICA STUDY TEAM**

IKUO YAMAMOTO	ASESOR PRINCIPAL (PRIMER AÑO) / ADMINISTRACIÓN PARA EL DESARROLLO
TOSHIYASU KATO	ASESOR PRINCIPAL (SEGUNDO AÑO) / POLÍTICA DE ECONOMÍA INDUSTRIAL
AKIYA SEKO	ASESOR ADJUNTO (PRIMER AÑO) / PROMOCIÓN DE INDUSTRIA LOCAL / COMERCIALIZACIÓN
HIROMI OSADA	ASESOR ADJUNTO (SEGUNDO AÑO) / ADMINISTRACIÓN PÚBLICA / ORGANIZACIÓN / SISTEMA
SERGIO SEPULVEDA	ENFOQUE TERRITORIAL (SEGUNDO AÑO)

LUIS ROSADO	DESARROLLO AGROPECUARIO / GESTIÓN DE PROYECTO PILOTO
MIRTHA J. CAMACHO	MEDIO AMBIENTE / POLÍTICA AMBIENTAL (SEGUNDO AÑO)
ATSUSHI KOYAMA	PLANIFICACIÓN DEL DESARROLLO AGROPECUARIO/CONDICIONES DE VIDA RURAL (SEGUNDO AÑO)
TAKEAKI TOMIOKA	PROMOCIÓN DE LA INDUSTRIA LOCAL MEJORAMIENTO DE LAS CONDICIONES DE VIDA RURAL (PRIMER AÑO)
TAKUJIRO ITO	MECANISMO INSTITUCIONAL / COORDINACIÓN DE COOPERANTES /ARTICULACIÓN DE SECTORES PÚBLICO Y PRIVADO (SEGUNDO AÑO)
NAOKI KURIMOTO	INFRAESTRUCTURA RURAL
NOBUO NAGAWARA	INFRAESTRUCTURA RURAL (SEGUNDO AÑO)
NORIAKI SUZUKI	VENTA / COMERCIALIZACIÓN / ESTUDIO DE MERCADO (PRIMER AÑO)
MAYA ASAKURA	SOCIAL CULTURAL / DESARROLLO PARTICIPATIVO / COORDINACIÓN DE COOPERANTES / ARTICULACIÓN DE SECTORES PÚBLICO Y PRIVADO (SEGUNDO AÑO)
NAOKO INADA	SISTEMA DE CRÉDITO / GESTIÓN DE PROYECTO PILOTO
TOMOKO WATANABE	DESARROLLO PARTICIPATIVO / GESTIÓN DE PROYECTO PILOTO (PRIMER AÑO)
YUMIKO IWANAGA	MECANISMO INSTITUCIONAL DE PROYECTOS / COORDINACIÓN DE COOPERANTES / ARTICULACIÓN DE SECTORES PÚBLICO Y PRIVADO (PRIMER AÑO)
ERIKO YAMASHITA	INTÉRPRETE (PRIMER AÑO)

#### **LOCAL STAFF**

CARMEN DUARTE-GÓMEZ	COORDINACIÓN INTERINSTITUCIONAL (SEGUNDO AÑO)
THAMARY FORMOSSO	ASISTENTE TÉCNICO PARA LOS PROYECTOS PILOTO
ERICA KIKUCHI	COORDINACIÓN ADMINISTRATIVA / INTÉRPRETE
RISA TSUTSUMIDA	ASISTENTE DE LA COORDINACIÓN ADMINISTRATIVA
LAURA PATRICIA PAÉZ	ASISTENTE TÉCNICO (SEGUNDO AÑO)
ADRIANA GONZÁLEZ	ASISTENTE TÉCNICO (SEGUNDO AÑO)

## LOCAL CONSULTANTS

ASOCIACIÓN PARAGUAYA PARA EL DESARROLLO SOSTENIBLE	OSCAR R. VARGAS ACOSTA
CONSULTORA INTEGRAL EN AGRONEGOCIOS	JORGE GATTINI RONALDO DIETZE GUILLERMO CÉSPEDES
CONSULTORA SERVINGCI S.R.L.	NICOLÁS DELGADO BRAULIO QUEVEDO MACHUCA
COPLANEA	VICTOR-JACINTO FLECHA JOSÉ ALFREDO VELAZTIQUI A.
FUNDACIÓN PARA EL DESARROLLO INTEGRAL – FUNDEI	TERESITA JESÚS TORRES C. WALBERTO I. FERREIRA G.
GEOMAP	VICTOR CESAR VIDAL GUILLERMO ROLÓN
ICA	ENRIQUE CHASE
INTER PACIFIC S.R.L.	ELENA MASAOKA HUGO VILLANI
INSTITUTO DESARROLLO PARAGUAY ONLINE S.R.L.	CÉSAR CABELLO ROBERTO SALINAS SÁNCHEZ
PS CONSULTORÍA	CARMEN GALDONA
PROMESUR CONSULTING GROUP	MARIO DANIEL BRITOS RIVEROS
ENRIQUE BÁEZ	
FABRICIO VÁZQUEZ RECALDE	
GUSTAVO CANDIA IRIGOITIA	
JORGE ISAAC ROJAS IBIETA	

Development Study on Plan of Integrated Rural Development for Small  
Farmers (EDRIPP)

Inter-International Coordination Committee of Counterparts (CIMC)  
Japan International Cooperation Agency (JICA)

**Republic of Paraguay**

**Guideline to Formulate the Strategy for  
Sustainable Development of Rural Territories**

---

**Final Report**

October 2011

Technical Management Unit (UTG)  
JICA EDRIPP Study Team

# Table of Contents

ABBREVIATION .....

## PART I EXECUTIVE SUMMARY

## PART II GUIDELINE TO FORMULATE THE STRATEGY FOR SUSTAINABLE DEVELOPMENT OF RURAL TERRITORIES

<b>1. INTRODUCTION .....</b>	<b>1</b>
1.1 BACKGROUND OF STUDY .....	1
1.2 PURPOSE OF STUDY .....	1
1.3 INSTITUTIONS FOR IMPLEMENTATION .....	2
1.4 STRUCTURE OF STUDY .....	3
<b>2. RURAL TERRITORY AS A FOCUS OF SUSTAINABLE DEVELOPMENT.....</b>	<b>5</b>
2.1 THE NEED OF A NEW FRAMEWORK.....	5
2.2 BASIC CONCEPT OF TERRITORIAL APPROACH.....	9
2.3 STRUCTURE OF STRATEGY.....	16
2.3.1 Levels of Strategy.....	16
2.3.2 Contents of Respective Levels .....	17
<b>3. DYNAMICS OF RURAL AREA .....</b>	<b>19</b>
3.1 MACRO-ECONOMIC CONDITIONS .....	19
3.1.1 Production .....	19
3.1.2 Prices.....	21
3.1.3 Labor Market .....	22
3.1.4 Fiscal Management.....	25
3.1.5 Monetary and Financial Policy .....	28
3.1.6 Balance of Payments.....	31
3.1.7 Brief Analysis of National Agricultural Census 2008 .....	34
3.1.8 Poverty and Inequality.....	36
3.1.9 Dynamics of Rural-urban Migration.....	38
3.1.10 Immigration .....	40
3.2 ECONOMY AND PRODUCTION .....	45
3.2.1 General description of Agriculture and Livestock.....	46
3.2.2 Challenges.....	50
3.2.3 Trends and Patterns of Main Product Items .....	58
3.3 SOCIETY AND CULTURE .....	91
3.3.1 Social Capital.....	91
3.3.2 Social Organizations.....	93
3.3.3 Women .....	96
3.3.4 Rural Youth .....	99
3.3.5 Ethnic Minority Groups.....	102
3.3.6 Access to Land.....	113

3.3.7	Education .....	116
3.3.8	Health.....	122
3.4	THE REALITY OF RURAL AREAS IN THE EASTERN REGION: THE ENVIRONMENTAL CHALLENGE .....	125
3.4.1	Challenge in land use .....	125
3.4.2	Deforestation.....	126
3.4.3	Soil Erosion.....	128
3.4.4	Decline of Soil Productive Capacity.....	129
3.4.5	Pollution and Poor Drainage of Water Course.....	130
3.4.6	Hunting and Trading of Wildlife Species .....	131
3.4.7	Climate Change .....	131
3.5	POLICY AND INSTITUTION .....	136
3.5.1	Institutional and Organizational Reforms of the Government .....	136
3.5.2	Decentralization.....	148
3.5.3	Current Situation and Challenges of Administrative Capacity .....	152
3.6	CHARACTERISTICS AND POTENTIALS OF SUB-REGIONS .....	167
3.6.1	Sub-Regional Grouping of Eastern Region .....	167
3.6.2	Characteristics and Potentials of Sub-Region 1 .....	169
3.6.3	Characteristics and Potentials of Sub-Region 2 .....	178
3.6.4	Characteristics and Potentials of Sub-Region 3 .....	186
3.6.5	Characteristics and Potentials of Sub-Region 4 .....	194
<b>4.</b>	<b>A NEW STRATEGY .....</b>	<b>203</b>
4.1	INTRODUCTION .....	203
4.2	CHARACTERISTICS OF THE STRATEGY.....	205
4.3	VISION 2030.....	211
4.4	CONGRUENCE BETWEEN VISION 2030 AND GOALS OF THE GOVERNMENT .....	212
4.5	TRANSFORMATION IN FOUR DIMENSIONS .....	215
4.5.1	Rural Economy .....	218
4.5.2	Diversity of Society and Culture.....	223
4.5.3	Utilization and Respect for Environment.....	225
4.5.4	Policies and Institutional Frameworks for Participatory Development .....	229
4.6	STRENGTHENING CAPACITY AND ORGANIZATIONS.....	234
4.6.1	Develop Human Resource.....	236
4.6.2	Strengthen Civil Society Organization.....	238
4.6.3	Improve Information and Knowledge Management .....	239
<b>5.</b>	<b>DIFFERENTIATING STRATEGY BY SUB-REGION.....</b>	<b>243</b>
5.1	METHODOLOGY ADOPTED.....	243
5.2	SUB-REGION 1 .....	245
5.2.1	Values and Vision .....	246
5.2.2	Strategic Lines .....	247
5.3	SUB-REGION 2.....	255
5.3.1	Values and Vision .....	256
5.3.2	Strategic Lines .....	257
5.4	SUB-REGION 3.....	263
5.4.1	Values and Vision .....	264



5.4.2	Strategic Lines .....	265
5.5	SUB-REGION 4 .....	271
5.5.1	Values and Vision .....	272
5.5.2	Strategic Lines .....	273
<b>6.</b>	<b>INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION OF THE STRATEGY .....</b>	<b>279</b>
6.1	INTRODUCTION .....	279
6.2	DESCRIPTION ON THE MAIN ASPECTS OF THE INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION OF THE STRATEGY .....	280
6.3	LEVELS AND AREAS OF INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION .....	281
6.4	FUNCTIONS NECESSARY FOR THE INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION .....	288
6.5	A PROPOSAL OF THE INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION .....	293
6.5.1	Institutional Arrangements in the ideal form .....	293
6.5.2	Institutional Arrangements to Start Up the Strategy .....	301
6.6	ROADMAP TO STRENGTHEN THE INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION .....	306
6.6.1	Required Activities in All Phases .....	308
6.6.2	Phase 1 (Three Years: 2012-2014) : Strengthen the Institutional Arrangements to Implement the DSTR .....	309
6.6.3	Phase2 (Five Years: 2015-2019) : Strengthen the Capacity to Implement the DSTR in Selected Territories .....	312
6.6.4	Phase 3 (Eleven Years: 2020-2030) : Expand DSTR Geographically .....	314
6.7	IDEAS OF PROJECTS AND IMPLEMENTATION COSTS .....	315
<b>7.</b>	<b>CHALLENGES AND REQUIREMENTS TO IMPLEMENT SUCCESSFULLY THE STRATEGY FOR SUSTAINABLE DEVELOPMENT OF RURAL TERRITORIES IN PARAGUAY .....</b>	<b>321</b>
<b>8.</b>	<b>BIBLIOGRAPHY .....</b>	<b>327</b>

## **PART III ANNEXES (SEPARATE VOLUME)**

ANNEX 1.	CLASSIFICATION OF SUB-REGIONS: METHODOLOGY, DATA AND RESULTS
ANNEX 2.	PROPOSED PROJECTS
ANNEX 3.	EXAMPLES OF STRATEGIC DEVELOPMENT PLAN AT THE TERRITORY LEVEL
ANNEX 4.	PILOT PROJECTS: RESULTS AND LESSONS LEARNED
ANNEX 5.	ACTION PLAN FOR CAPACITY DEVELOPMENT IN THE PUBLIC SECTOR
ANNEX 6.	SUMMARY OF THE STUDY ON INHIBITORY FACTORS OF DEVELOPMENT

## Abbreviations

ANDE	Administración Nacional de Electricidad
ARP	Asociación Rural del Paraguay
BCP	Banco Central del Paraguay
IDB	Inter American Development Bank
CAH	Crédito Agrícola de Habitación
CAN	Censo Agropecuario Nacional
CDE	Centro de Documentación y Estudio
CDM	Clean Development Mechanism
CEPACOOOP	Central Paraguaya de Cooperativas Ltda.
CEPRA	Coordinadora Ejecutiva para la Reforma Agraria
CIMC	Coordinación Interinstitucional y Multisectorial de Contraparte
CONAVI	Consejo Nacional de la Vivienda
COPACO	Compañía Paraguaya de Comunicaciones S.A.
DEAg	Dirección de Extensión Agraria
DIBEN	Dirección de Beneficencia y Ayuda Social
DSTR	Desarrollo Sostenible de los Territorios Rurales
SDRT	Sustainable Development in Rural Territories
FAO	Food and Agriculture Organization of the United Nations
GTZ	German Technical Cooperation
IDH	Índice de Desarrollo Humano
IDM	Instituto de Desarrollo Municipal
IFAD	Food and Agriculture Organization of the United Nations
INC	Industria Nacional del Cemento
INCOOP	Instituto Nacional de Cooperativismo
INDERT	Instituto Nacional de Desarrollo Rural y de la Tierra
INFONA	Instituto Forestal Nacional
INPRO	Instituto Nacional de protección a Personas Excepcionales
IPTA	Instituto Paraguayo de Tecnología Agropecuaria
JICA	Japan International Cooperation Agency
LRAN	Red de Investigación Acción sobre la Tierra
MAG	Ministerio de Agricultura y Ganadería
MEA	Marco Estratégico Agrario
MEC	Ministerio de Educación y Cultura
MERCOSUR	Mercado Común del Sur
MH	Ministerio de Hacienda
MI	Ministerio del interior
MJT	Ministerio de Justicia y Trabajo
MOPC	Ministerio de Obras Públicas y Comunicaciones
MSPyBS	Ministerio de Salud Pública y Bienestar Social
OECD	Organization for Economic Co-operation and Development
WHO	World Health Organization
NGO	Non-Governmental Organization
PEES	Plan Estratégico Económico - Social

PESEAM	Plan Estratégico de la Secretaría del Ambiente
GDP	Gross Domestic Product
PLANAL	Plan Nacional de Soberanía Alimentaria y Nutricional del Paraguay
UNDP	United Nations Development Programme
PPDS	Propuesta de Política Pública para el Desarrollo Social
PRODERS	Proyecto de Desarrollo Rural Sostenible
PRODESAL	Programa de Desarrollo de Pequeñas Fincas Algodoneras
PROMODAF	Programa de Modernización para el Desarrollo Agropecuario y Forestal
REDIEX	Red de Inversiones y Exportaciones
RSE	Responsabilidad Social Empresarial
SAS	Secretaría de Acción Social
SEAM	Secretaría del Ambiente
SEN	Secretaría de Emergencia Nacional
SENACSA	Servicio Nacional de Calidad y Salud Animal
SENASA	Servicio Nacional de Saneamiento Ambiental
SENAVE	Servicio Nacional de Calidad, Sanidad Vegetal y de Semillas
SFN	Servicio Forestal Nacional
SIGEST	Sistema Integrado de Gestión para el Desarrollo Agrario y Rural
SINAFOCAL	Sistema Nacional de Formación y Capacitación Laboral
SISPLAN	Sistema Nacional de Planificación
STP	Secretaría Técnica de Planificación
UTG	Unidad Técnica de Gestión

# **Guideline to Formulate the Strategy for Sustainable Development of Rural Territories**

## **Part      Executive Summary**

---

# Executive Summary

## 1. Introduction

### 1.1 Background of Study

Paraguay celebrated the bicentennial anniversary of national foundation on May 15, 2011. Throughout this country, the government of Paraguay is making progress toward promoting social solidarity and inclusive economic development.

Paraguay put an end to the authoritarian political regime in the late 1980s that ruled this nation for nearly forty years. Since the early 1990s until now, the country has been implementing a number of political, economic, social and institutional reforms, and has made progress in constructing a democratic state. However, despite recent positive macroeconomic developments, there remain many issues to be addressed in order to improve the quality of life of Paraguayans – in particular, the high poverty rates in rural areas, high inequality of income distribution and land ownership, and the large number of small-scale producers who are not yet capable of introducing modern, competitive production processes and who face difficulty entering into dynamic markets and eroding soil quality.

The government of Paraguay has been raising poverty reduction and support for socially vulnerable people as the top priority issues, and has implemented a variety of policies to address them. However, there is still a critical need to formulate medium- and long-term strategies for rural development, and need for a mechanism to re-orient institutions and organizations in rural Paraguay.

Against this background, the government of Paraguay requested the government of Japan to implement a development study, entitled “Study for the Formulation of Integrated Rural Development Plan for Small-scale Producers (EDRIPP in Spanish)”<sup>1,2</sup>

Following the request, both Paraguayan and Japanese governments signed the Scope of Work (S/W) for the implementation of this study. This study was then implemented from February 2009 to August 2011.

---

<sup>1</sup> In this Guideline, ‘small-scale producer’ is defined as ‘family-managed farm,’ a term that has been commonly used among member countries of the Southern Common Market (MERCOSUR in Spanish): “A family-managed farm is a farm that is involved in agricultural production activities using primarily family labor force. It hires less than 20 temporary workers in specific periods of the production process in a year. Family members of the farm live on the farm land or in its vicinity. Regardless of the type of crops, it uses less than 50 ha of land area (Eastern Region) that is owned, rented or in any other forms of contractual relationships.”

<sup>2</sup> EDRIPP in Spanish stands for “Estudio para el Desarrollo Rural Integral dirigido al Pequeño Productores.”

## 1.2 Purpose of Study

The main purpose of this study is to support the formulation of “The Guideline for the Formulation of Strategy for Sustainable Development of Rural Territories” (hereinafter, called The Guideline<sup>3</sup>), which aims to improve the quality of life of social actors through appropriate management of territories<sup>4</sup> from an integrated perspective, and with special focus on the following objectives to be achieved in rural development:

- Reduce poverty
- Improve governance
- Strengthen competitiveness of producers and increase income
- Increase regional GDP in rural areas and expand participation of small-scale producers
- Ensure sustainability
- Improve quality of public investment
- Strengthen participation of small-scale producers in production and social affairs

The adoption and implementation of a **national strategy for sustainable development of rural territories** (hereinafter, the strategy) will ensure the positive impact of policies that aim to improve quality of life in rural areas. These will contribute to harmonizing the action plans of various sectors, generating synergy effects, improving efficiency in public financial management, and making the public sector more responsive to the needs of rural areas as a promoter of participatory management in rural territories.

## 1.3 Institutions for Implementation

Based on Presidential Order 648/08, this study was implemented under the supervision and coordination of Inter-Agency Coordination Committee (CIMC in Spanish)<sup>5</sup>, for which the Cabinet of Presidency served as political coordinator, and the Economic Council and Minister of Finance served as implementation coordinator.

To support implementation of this study, the Japan International Coordination Agency (JICA) formed a consultant team consisting of the IC Net Limited and Nippon Koei, Inc.

---

<sup>3</sup> Following an agreement between the Technical Unit and the JICA Consultant Team, the title of final product of this study has changed from “Master Plan” to “Guideline.”

<sup>4</sup> Appropriate management of territories means the type of management that pays balanced attention to the four dimensions of the territorial approach, which is discussed in the following chapters.

<sup>5</sup> Coordinación Interinstitucional y Multisectorial de Contraparte (CIMC).

Furthermore, in order to provide technical and administrative support for the Inter-Agency Coordination Committee, the government formed a Technical Management Unit (UTG<sup>6</sup> in Spanish) consisting of representatives of the Presidency, Ministry of Finance (MH in Spanish), Ministry of Agriculture and Livestock (MAG in Spanish), Economic Planning Agency (STP in Spanish), Environment Agency (SEAM in Spanish), National Institute for Rural Development and Land (INDERT in Spanish), Ministry of Industry and Commerce (MIC in Spanish), and Ministry of Public Works and Communication (MOPC in Spanish). In addition, activities for the current study were implemented in coordination and cooperation with the offices of governors of departments, offices of mayors of districts and other local organizations.

#### 1.4 Structure of Study

The current Guideline was formulated for the Eastern Region of Paraguay, except the Central Department and Asunción Capital because these are predominantly urban areas.<sup>7</sup> However, the strategic lines presented under ‘pillars’ and ‘axes’ in the remainder of this Guideline can be applied for the whole nation. It is hoped that, following the formulation of a national strategy for sustainable development of rural territories, the government would expand the coverage of the strategy to the whole nation including Central Department and Western Chaco Region, and implement programs and policies that strengthen linkages between urban and rural areas.

The main activities to formulate this Guideline and the main products are presented in Figure .

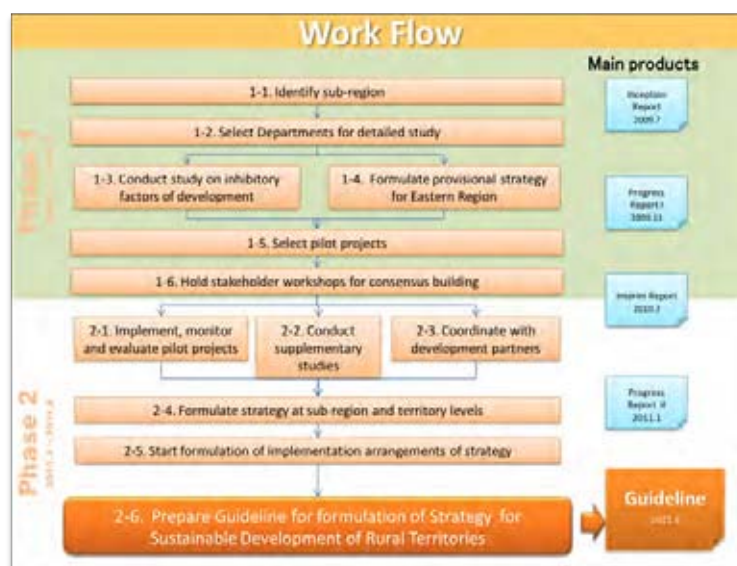


Figure ① Work flow and main productsdff

<sup>6</sup> Unidad Técnica de Gestión (UTG).

<sup>7</sup>The main reason for the exclusion of Central Department from the current study was simply due to its characteristics of rapid urbanization and improved access to Asunción Capital.

## 2. Rural Territory as a Focus of Sustainable Development

### 2.1 Basic Concept of Territorial Approach

“The territorial approach to sustainable rural development is conceived as a process that is aimed at transforming the development dynamics of territories through the orderly distribution of production activities, in keeping with the potential of the natural and human resources of the territory.”<sup>8</sup>

The territorial approach to sustainable development of rural territories (DSTR in Spanish) tackles development from the following four dimensions:

- ✓ **Policy and Institution:** Good governance as a result of efficient and transparent functions of institutions.
- ✓ **Economy and Production:** Competitiveness arising from utilizing and integrating all potentials related to rural economy and production.
- ✓ **Society and Culture:** Social equity that ensures redistribution to people according to their respective efforts.
- ✓ **Environment:** Growth and development without sacrificing the environment.

The basic objective of DSTR is to promote social solidarity within rural territories, between rural territories, and between rural territories and other parts of society. This implies transforming rural territories with participatory management, and strengthening basic elements of national development plans such as democratic governance, civic participation, and organizational and institutional development.



Figure ② Four dimensions of territorial approach

<sup>8</sup> Quoted from Sepúlveda, Sergio S. 2008. *Gestión del Desarrollo Sostenible en Territorios Rurales: Métodos para la Planificación*. San Jose: Instituto Interamericano de Cooperación para la Agricultura, p.8.



Good governance and participation are key elements of territorial management. Effective decision making with participation of citizens will affect improvement in quality of life and realization of social solidarity efficiently.

In the DSTR, the word “territory” is defined as follows:

“Territory is a historically established social construct – with a unique social fabric – that is endowed with a certain base of natural resources, certain modes of production, consumption and trade, and a network of institutions and organizations that give cohesion to the other elements.”<sup>9</sup>

The proposed framework of DSTR under this Guideline is based on the basic concept of the territorial approach described above. Table below summarizes the differences of characteristics between the proposed new framework and the conventional one.

Table ① Characteristics of the proposed new framework of DSTR

	Conventional framework	New framework (proposal)
1 . Objective	Increase agricultural income	Improve the quality of life in rural areas
2 . Approach	By sector. Divided	By territory. Systematic, multi-dimensional (society and culture, economy and production, environment, policy and institution), multi-sector (e.g., agriculture, tourism, industry, service, information technology)
3 . Policy, public investment program, public service delivery	Top-down by national government	<ul style="list-style-type: none"> <li>• Harmonize public policies, investment programs and service delivery to characteristics and needs of territory</li> <li>• Manage public policies, programs and service delivery through participation of, and collaboration with, social actors in territory (bottom-up)</li> </ul>
4 . Coordination, cooperation and empowerment	Lack of coordination and cooperation among development activities, low effectiveness of development activities	<ul style="list-style-type: none"> <li>• Coordination and cooperation among social actors</li> <li>• Empowerment of social actors in territory (public institutions, private sector, civil society organizations)</li> </ul>
5 . Stakeholders	Government, farmers involved in agriculture and livestock	Social actors <ul style="list-style-type: none"> <li>• Public institutions (e.g., national, department, district administration)</li> <li>• Private sector (e.g., firm, cooperative, association)</li> <li>• Civil society organization (e.g., NGO, civil organization, foundation, association)</li> </ul>

<sup>9</sup> This was quoted from Sepúlveda. 2008, p.11.

## 2.2 Structure of Strategy

### 2.2.1 Levels of Strategy

The strategy proposed in this Guideline consists of three levels – Eastern Region, sub-regions and territories.

Since the concept and methods of the strategy proposed in this Guideline can be applied to the entire nation, it is proposed that the strategy be formulated and implemented in a step-by-step manner. It is expected in the future that the strategy would expand its coverage to the Central Department and Western Chaco Region. Furthermore, it is important that effort should be made to strengthen linkages between urban and rural areas, which could then be one of key driving forces for vitalizing territories.

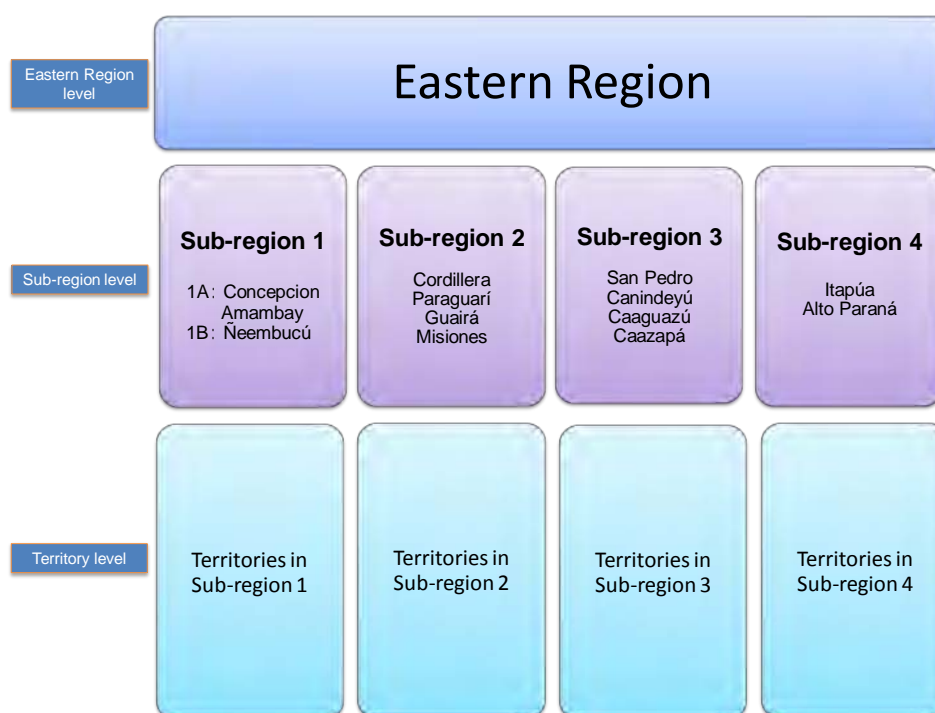


Figure ③ Three levels of the strategy for DSTR

### 2.2.2 Contents of Respective Levels

Vision 2030 is the long-term objective of the strategy as explained below. The strategic lines to achieve this Vision are presented in the following groups – “four pillars” and “three axes”.

Those strategic lines are intended to overcome inhibitory factors of development identified in this study.

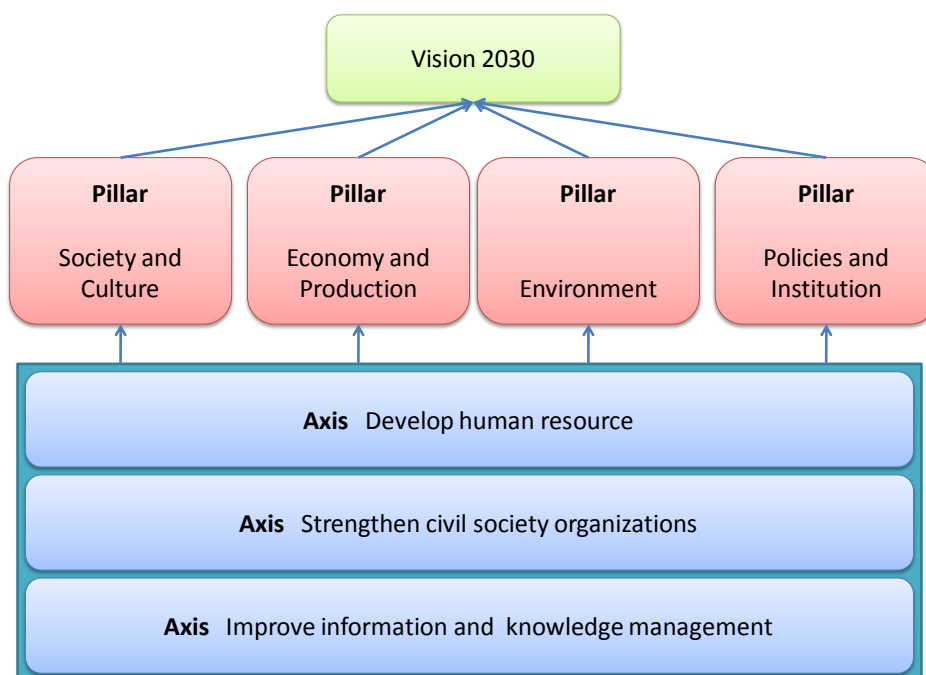


Figure ④ Common contents at each level: Vision, pillars, and axes

The four pillars aim to improve four dimensions of rural areas – economy and production, society and culture, environment, and policies and institution, whereas three axes are groups of strategic lines that cut across the four pillars, strengthening social actors in territory. The three axes consist of capacity development, strengthening civil society, and information and knowledge management. Strategic lines in those axes are aimed to strengthen capacity of institutions, organizations, and human resources that are necessary to implement strategic lines under four pillars continuously and sustainably.

### 2.2.3 Sub-regions

This Guideline proposes sub-regions, each of which consists of departments with similar characteristics. The purpose of this grouping is to fully utilize potentials of respective sub-regions, formulate differentiated strategies in line with those characteristics of respective sub-regions, and achieve Vision 2030 as a result.

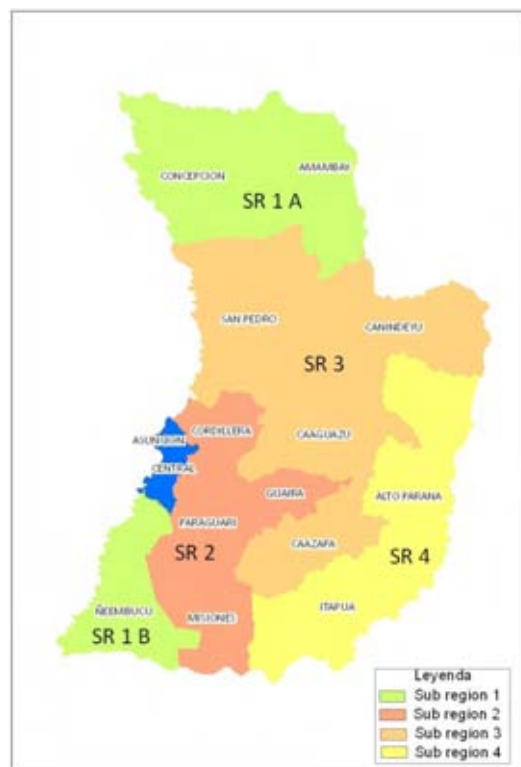
While the departments in each sub-region have unique characteristics, they also share many similar characteristics if we look at them as a whole. To confirm this sub-regional grouping resulting from a cluster analysis undertaken in this study, this grouping was compared with a land use map (soybean, corn, wheat, sunflower, sesame). This comparison also confirmed strong relationships between them.

**Sub-region 1**  
**Intensive production area**  
 SR1A: Concepción, Amambay  
 SR1B: Ñeembucú

- Sub-region 1 is relatively less developed, characterized by small population, low population density, high proportion of rural population, less developed infrastructure, and less active financial activities. Main economic activities are extensive agriculture, mainly livestock.

**Sub-region 2**  
**Traditional rural area**  
 Cordillera, Paraguairí, Guairá, and Misiones

- Sub-region 2 is a traditional agricultural area, producing a mix of crops for self-consumption and cash earnings. Many independent, small-scale producers settled in this area at the early stage of settlements. The areas of mechanized and traditional agriculture co-exist.



**Sub-region 3 Transition area**  
 San Pedro, Canindeyú, Caaguazú, and Caazapá

- This sub-region consists of departments characterized by both traditional and export agriculture, and a combination of areas at diverse levels of socio-economic development, with the highest proportion of rural population and the highest population density in the nation. Characterized as the transition area from traditional to export agriculture. Socio-economic conflicts have been observed in the development process.

**Sub-region 4 Export agriculture area**  
 Alto Paraná, and Itapúa

- Sub-region 4 consists of departments with the largest population in the nation, except Central department. Although the gap between the rich and the poor measured by Gini coefficient is large, both poverty rates and index of insufficiency (BNI in Spanish) are low.

**Sub-region 5 Metropolitan area**  
 Central

- Unlike other departments in the Eastern Region, Central department does not hold rural characteristics, and is therefore grouped as an independent sub-region. Located in the vicinity of Asunción Capital, this department is part of the metropolitan area. Due to its urban characteristics, it was decided that this department would not be included in this study.

### 3. Development Strategy

#### 3.1 Characteristics of Strategy

The strategy for sustainable development of rural territories (DSTR in Spanish) should be approved by the national authority and incorporated as a national policy that is consistent with the national development plan of Paraguay. Furthermore, this strategy should be continued by the next and future administrations.

It will take a few decades until the strategy for DSTR with the multi-dimensional perspectives of territorial approach has been expanded and deeply rooted in Paraguay. This strategy should proceed step-by-step, and in this process there will be a need to re-examine the way of thinking and political culture that has been deeply implanted among Paraguayans, and to transform existing institutions and political systems accordingly.

The strategy should have the main, desirable characteristics such as follows:

- The government, civil society and the private sector co-manage this strategy.
- The strategy is flexible so that strategic lines at sub-regional and territory levels can be adjusted and adapted to local situations.
- The strategy is aimed at achieving medium-term goals, while it seeks address short-term issues.
- The strategy utilizes the potential of women and youth in rural territories.
- Territorial development is managed with the participation of social actors in the territory.
- The strategy recognizes the differences in culture and identity, and strengthens them as part of the potential of the territory.
- Agriculture, livestock and all other economic activities are recognized as the driving force for territorial development.
- The strategy includes a set of strategic lines that can promote land use policies for the territory.
- People's participation in the process of territorial planning and implementation strengthens organizations within the territory, enhances the contribution of civil society in territorial development, and improves quality of life of people in the territory.

#### 3.2 Vision

The long-term goal of the strategy over twenty years, *Vision 2030*, is proposed as follows:

“The capabilities of people in rural territories are strengthened, sustainable natural resources management is realized, and the production capacities of rural territories are sufficiently utilized. Through these, a sense of belonging among people in rural territories is enhanced, people settled

down in rural territories, and governance of rural territories is improved. As a consequence, the quality of life of people in rural territories is improved.”

### **3.3 Strategic Lines in Four Dimensions**

This Guideline is based on the principles of sustainable development. Vision 2030 of the strategy is to contribute to democratizing the nation and promoting modernization. Toward this direction, the strategy should be guided by the following key principles.

1. Enhance effectiveness and efficiency of the strategy through harmonization of development plans by various sectors.
2. Promote coordination of sector policies, programs and projects in respective territories.
3. Formulate land use policies of territories to stimulate production activities and implement sustainable environmental management.
4. Implement the strategy in step-by-step manner. Start its implementation in some model territories for validation of the strategy.
5. Promote participation of civil society organizations in the decision making process of the strategy.
6. Build on or complement existing policies, programs and projects in territories.
7. Adjust and adapt to diverse situations of respective sub-regions and territories.

### **3.4 Four Pillars**

The four pillars of the strategy are sets of strategic lines grouped by the four dimensions of territorial development. These pillars need to be implemented systematically, sustainably over a long-period of time. Four pillars are: (i) Rural economy; (ii) diversity of society and culture; (iii) utilization and respect for environment; and (iv) policies and institutional frameworks for participatory development.

#### **3.4.1 Rural Economy**

The pillar of rural economy aims to improve the economy and production in rural areas through the following four strategic lines:

1. Appropriate production methods and technology for small-scale producers
2. Technical innovation in the whole production process
3. Small- and medium-scale rural enterprises
4. Cooperation and interaction among diverse social actors

Those strategic lines are aimed to improve economic efficiency and expand employment and income opportunities in rural areas. To achieve this objective, promotion of small- and medium-scale

enterprises is a key tool to democratize economic opportunities and promote inclusive development process.

### **3.4.2 Diversity of Society and Culture**

The objective of the pillar of diversity of society and culture is to improve the process of participatory territorial management, bearing in mind civil society organizations and their autonomous governing mechanisms, social inclusions, respect for cultural diversity, and gender. The following four strategic lines under this pillar are proposed.

1. Strengthen cooperation among voluntary civil society organizations to support territorial development.<sup>10</sup>
2. Institutionalize formal and informal mechanisms that help restore and reassess diverse cultural knowledge and tradition.
3. Provide places or forums for employment and recreation that will promote settlements in rural territories.
4. Equip and improve multi-purpose facilities for provision of basic services that are articulated to address local needs and characteristics.

### **3.4.3 Utilization and Respect for Environment**

The main objective of this pillar is to improve environmental management of rural territories. To achieve this objective, this pillar is aimed to appropriately manage natural resources (soil, water, forest, biodiversity, animals and plants), promote clean process management of various production and consumption (including wastes), strengthen regenerative capacity of ecological systems and as a result, ensure sustainability of environment in rural territories.

As in the other pillars, implementation of this pillar requires effective participation and commitment of rural social actors in sustainable environmental management. The strategic lines proposed in this Guideline will complement, and enhance coordination with, other activities related environment.

### **3.4.4 Policies and Institutional Frameworks for Participation**

This pillar is aimed to lay the groundwork for realizing appropriate policies and management of rural territories. To achieve this, policy and institutional reforms of the public sector will be

---

<sup>10</sup> “Voluntary civil society organization” indicates any organizations in any forms that have been formed to achieve community objectives through autonomous initiatives of people. This is distinguished from organizations that are formed for a certain period of time to implement programs and projects funded by public institutions or international aid agencies.

implemented to strengthen participation of organizations and networks of social actors in rural territories in the development process. At the same time, organizations, methods and procedures for conflict management will be strengthened.

Under this pillar, six strategic lines in the following are proposed.

1. Set out and implement laws that promote the strategy for DSTR and its various activities in the long-term.
2. Establish, strengthen and consolidate mechanisms to negotiate, arbitrate and settle conflicts among rural producers and enterprises.
3. Strengthen legislation concerned with property rights of land, and accelerate the processes to enforce them.
4. Legislate and enforce policies and laws to regulate land purchase and sales of land.
5. Strengthen institutions and organizations of district mayor offices to facilitate land distribution and other supplementary activities of INDERT.
6. Establish mechanisms and methods that facilitate cooperation among civil society organizations and other social actors in the decision making process in rural territories.



Table 2 below summarizes all strategic lines of four pillars.

Table 2 Strategic lines under four pillars

<b>Rural economy</b>
<ol style="list-style-type: none"> <li>1. Provide technical support for small- and médium-scale producers for agricultural development</li> <li>2. Promote entry and participation of small-scale producers into value chain</li> <li>3. Strengthen small-scale enterprises through easing access to necessary services</li> <li>4. Develop and maintain infrastructure to strengthen competitiveness in territory</li> </ol>
<b>Diversity of society and culture</b>
<ol style="list-style-type: none"> <li>1. Strengthen cooperation among civil society organizations for rural development</li> <li>2. Institutionalize formal and informal mechanisms that help restore and reassess diverse cultural knowledge and tradition</li> <li>3. Provide places or forums for employment and recreation that will promote settlements in rural territories</li> <li>4. Equip and improve multi-purpose facilities for provision of basic services that are articulated to address local needs and characteristics.</li> </ol>
<b>Utilization and respect for environment</b>
<ol style="list-style-type: none"> <li>1. Combine, and plan to achieve, agriculture, global climate change, forest, and rural development simultaneously, in order to achieve effective sustainable development in production, environment and society.</li> <li>2. Strengthen capacity of the agricultural sector to alleviate negative effects of global climate change.</li> <li>3. Raise awareness among citizens about management and conservation of environment.</li> <li>4. Promote the types of agriculture that are environmentally sound and help conserve environment.</li> <li>5. Promote utilization of renewable energy.</li> <li>6. Promote enforcement of laws and regulations to support formulation of land use plans.</li> <li>7. Promote activities that match rural development with afforestation projects.</li> </ol>
<b>Policies and institutional frameworks for participatory development</b>
<ol style="list-style-type: none"> <li>1. Set out and implement laws that promote the strategy for DSTTR and its various activities in the long-term.</li> <li>2. Establish, strengthen and consolidate mechanisms to negotiate, arbitrate and settle conflicts among rural producers and enterprises.</li> <li>3. Strengthen legislation concerned with property rights of land, and accelerate the processes to enforce them.</li> <li>4. Legislate and enforce policies and laws to regulate land purchase and sales of land.</li> <li>5. Strengthen institutions and organizations of district mayor offices to facilitate land distribution and other supplementary activities of INDERT.</li> <li>6. Establish mechanisms and methods that facilitate cooperation among civil society organizations and other social actors in the decision making process in rural territories.</li> </ol>

### 3.5 Three Axes: Strengthening Capacity and Organizations

The three axes proposed in this Guideline are aimed to strengthen capacity and organizations that would complement implementation of the four pillars in a cross-cutting manner.

Those axes are: (i) develop human resource; (2) strengthen civil society organizations; and (3) improve information and knowledge management. The strategic lines proposed under these respective axes will set the overall directions of activities, ensure participatory methods, and introduce transparent and cooperative methods in rural territorial management.

The strategic lines under three axes are summarized in Table 3 below.

Table 3 Strategic lines under three axes

<b>Develop human resource</b>
<ol style="list-style-type: none"> <li>1. Develop education programs on DSTR through cooperation of Ministry of Education and Culture with the other ministries and agencies in charge of DSTR.</li> <li>2. Strengthen human resource development programs on participatory territorial management and DSTR for civil society organizations, public sector institutions, and private sector organizations and associations.</li> <li>3. Develop training programs on business management for small-scale producers and firms.</li> <li>4. Formulate action plans to improve capacity and skills of labor force under informal employment.</li> <li>5. Design and implement pilot projects on innovation and learning about DSTR.</li> <li>6. Design and implement re-training programs for workers in order to adjust and respond to changing productive activities and required capacity and skills for them.</li> </ol>
<b>Strengthen civil society organizations</b>
<ol style="list-style-type: none"> <li>1. Strengthen civil society organizations.</li> <li>2. Establish financing mechanisms for civil society organizations</li> <li>3. Strengthen public institutions in charge of providing support to strengthen civil society organizations</li> <li>4. Adjust and expand policies and institutions to strengthen civic participation in DSTR.</li> </ol>
<b>Improve knowledge and information management</b>
<ol style="list-style-type: none"> <li>1. Improve management to receive and send information about various programs for communities implemented by the public sector, and situations (issues and ways to address them) of communities.</li> <li>2. Enable a larger number of residents to have access to information, using various tools for communication.</li> <li>3. Utilize effectively the information and know-how that research and education sectors have.</li> </ol>

## 4. Institutional Arrangements for Implementation

The proposed institutional arrangements for implementation of the strategy in this Guideline are based on three important principles. First, for the implementation of the strategy, creation of new organizations should be minimized, whereas utilization of existing organizations should be maximized. This will help save administrative costs required for implementation of the strategy. Second, capacity of public institutions should be strengthened to undertake hub functions of coordination among concerned people and organizations in implementing the strategy. Finally, platforms for dialogue among the public sector, the private sector, civil society, and academic and educational institutions should be created and strengthened.

### 4.1 Members of Institutional Arrangements

The institutional arrangements for implementation of the strategy consist of representatives of various social actors. In this Guideline, those social actors are grouped into the following to play their respective roles: (1) public sector; (2) private sector; (3) research and education sector; and (4) civil society. The Table below summarizes representative roles of social actors in respective groups.

Table ② Roles of social actors in respective social actor groups

Sector	Civil society	Private sector	Research and education	Public sector
Roles	<ul style="list-style-type: none"> <li>Decision makers for solving development issues in rural territories</li> <li>Main beneficiaries of the strategy</li> <li>Providers of resources for solving development issues in rural territories</li> </ul>		<ul style="list-style-type: none"> <li>Providers of professional knowledge and services to solve development issues in rural territories</li> </ul>	<ul style="list-style-type: none"> <li>Providers of public goods and services to solve development issues in rural territories</li> </ul>

The following table summarizes functions required for the institutional arrangements, and organizational and institutional prerequisites to establish and operationalize the institutional arrangements.

Table ③ Organizational and institutional prerequisites to establish and operationalize institutional arrangements of the strategy

Required functions	Prerequisites to establish and operationalize institutional arrangements
1. Participatory management of diverse social actors	Presence of committees consisting of representatives of diverse civil society organizations, public sector, private sector, and research and educational institutions
2. Management of the strategy that is differentiated to reflect characteristics and needs of respective rural territories	Creation of units in charge of management of the strategy at the different regional levels
3. Coordination of activities and resources among different regional levels, and among diverse social actors	Presence of organizations that are given functions to coordinate activities and resources within each regional level, and between different regional levels. This is to be carried out through monitoring and evaluation, and information and knowledge management
4. Implementation process for democratic development, transparency of performance	Creation of units in charge of information disclosure and performance audits.
5. Capacity development of all actors concerned with territorial development	Creation of units to support capacity development in the long-term
6. Secure and manage human resources and financial resources for management of the strategy	Creation of units in charge of management of the strategy, financing, human resources, needs identification, and matching of needs and providers
7. Utilize potential capacity of existing organizations and institutions	Involvement of existing ministries and agencies, organizations, and coordination mechanisms among organizations. For example, involve SIGEST of MAG, Decentralization Unit of MH, and inter-agency coordination committees at local levels in the strategy.
8. Institutional frameworks that will not be affected by the change of administration	Establish permanent organizational structures by institutional frameworks

### Overview of institutional arrangements for implementation of the strategy

The institutional arrangements for implementation of the strategy should be designed to manage three levels of the strategy – Eastern Region, sub-regions, and territories. It is therefore proposed to establish the following committees:

- National Committee for Sustainable Development of Rural Territories<sup>11</sup>(CN-DSTR in Spanish); and
- Territorial Committee for Sustainable Development of Rural Territories<sup>12</sup>(CT-DSTR in Spanish )

The main functions of the above two Committees are summarized as follows:

<sup>11</sup> Comité Nacional para el Desarrollo Sostenible de los Territorios Rurales (CN-DSTR)

<sup>12</sup> Comité para el Desarrollo Rural con Enfoque Territorial (CT-DSTR)

### **National Committee for Sustainable Development of Rural Territories (CN-DSTR)**

1. CN-DSTR is responsible for overall management of the strategy; promoting development of the frameworks for DSTR based on the basic concept of territorial approach; and supporting the achievement of *Vision 2030*.
2. Through overall management of the strategy, CN-DSTR would provide guidance to instill the basic concept of the territorial approach in the policies, programs and activities of national ministries, and in the development plans of departments and districts; and enhance consistency among development plans.
3. Overall management of the strategy by CN-DSTR would include Eastern Regional level and sub-regional levels.
4. CN-DSTR would comprise representatives of civil society, private sector, research and education sector, and public sector, which could legitimately represent, and express the views and opinions of, the entire Eastern Region.
5. CN-DSTR would consist of a committee chairperson, an audit office, and a secretariat.
6. CN-DSTR would have its own funding to implement all activities required.

### **Territorial Committee for Sustainable Development of Rural Territories (CT-DSTR)**

1. CT-DSTR would be established with technical support of CN-DSTR at the time in which a territory starts preparation of a territorial development strategy. The interest to establish CT-DSTR must be expressed by social actors in the territory.
2. CT-DSTR would manage territorial development strategy, practice the concept of DSTR, and thereby achieve *Vision 2030* of the territory.
3. CT-DSTR would consist of representatives of civil society, the private sector, the research and education sector, and the public sector which could legitimately represent views and opinions of social actors in the territory.
4. CT-DSTR would consist of a committee chairperson, an audit office, and a secretariat.

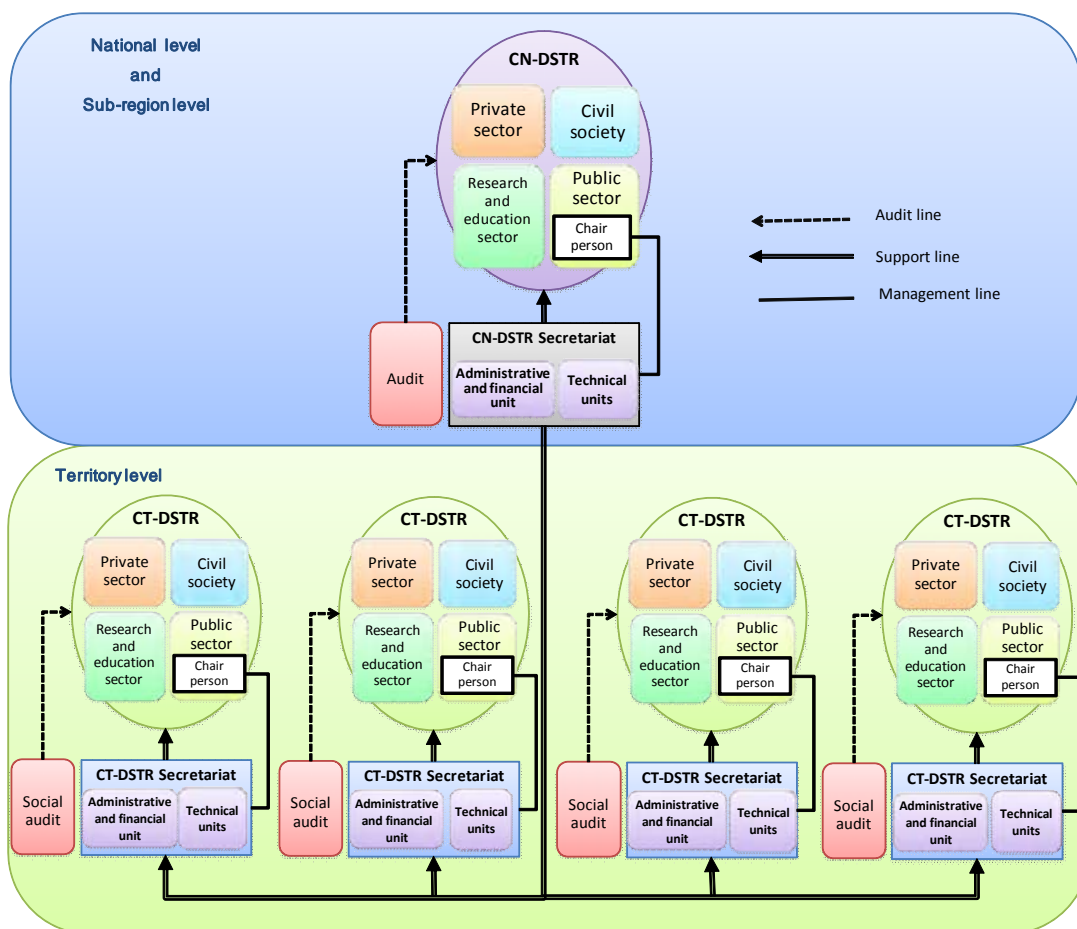


Figure ⑤ Relationship between CN-DSTR and CT-DSTR

Figure below presents the overall roadmap to establish the institutional arrangements for implementation of the strategy, and achieve Vision 2030 in Eastern Region of Paraguay.

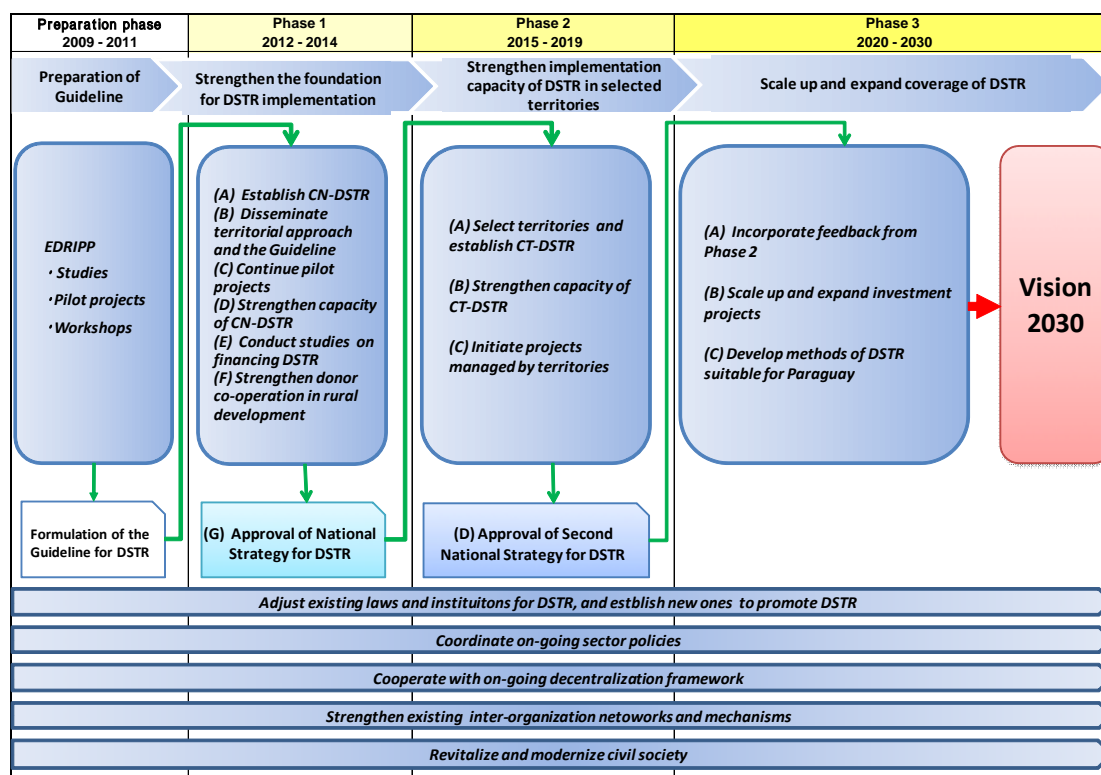


Figure ⑥ Overall roadmap of DSTR

# **Guideline to Formulate the Strategy for Sustainable Development of Rural Territories**

## **Part II Main Report**

---



## 1. Introduction

### 1.1 Background of Study

Paraguay celebrated the bicentennial anniversary of national foundation on May 15, 2011. Throughout this country, the government of Paraguay is making progress toward promoting social solidarity and inclusive economic development.

Paraguay put an end to the authoritarian political regime in the late 1980s that ruled this nation for nearly forty years. Since the early 1990s until now, the country has been implementing a number of political, economic, social and institutional reforms, and has made progress in constructing a democratic state. However, despite recent positive macroeconomic developments, there remain many issues to be addressed in order to improve the quality of life of Paraguayans – in particular, the high poverty rates in rural areas, high inequality of income distribution and land ownership, and the large number of small-scale producers who are not yet capable of introducing modern, competitive production processes and who face difficulty entering into dynamic markets and eroding soil quality.

The government of Paraguay has been raising poverty reduction and support for socially vulnerable people as the top priority issues, and has implemented a variety of policies to address them. However, there is still a critical need to formulate medium- and long-term strategies for rural development, and need for a mechanism to re-orient institutions and organizations in rural Paraguay.

Against this background, the government of Paraguay requested the government of Japan to implement a development study, entitled “Study for the Formulation of Integrated Rural Development Plan for Small-scale Producers (EDRIPP in Spanish)”.<sup>1,2</sup>

Following the request, both Paraguayan and Japanese governments signed the Scope of Work (S/W) for the implementation of this study. This study was then implemented from February 2009 to August 2011.

---

<sup>1</sup> In this Guideline, ‘small-scale producer’ is defined as ‘family-managed farm,’ a term that has been commonly used among member countries of the Southern Common Market (MERCOSUR in Spanish): “A family-managed farm is a farm that is involved in agricultural production activities using primarily family labor force. It hires less than 20 temporary workers in specific periods of the production process in a year. Family members of the farm live on the farm land or in its vicinity. Regardless of the type of crops, it uses less than 50 ha of land area (Eastern Region) that is owned, rented or in any other forms of contractual relationships.”

<sup>2</sup> Estudio para el Desarrollo Rural Integral dirigido al Pequeño Productor (EDRIPP).

## 1.2 Purpose of Study

The main purpose of this study is to support the formulation of “The Guideline for the Formulation of Strategy for Sustainable Development of Rural Territories” (hereinafter, called The Guideline<sup>3</sup>), which aims to improve the quality of life of social actors through appropriate management of territories<sup>4</sup> from an integrated perspective, and with special focus on the following objectives to be achieved in rural development:

- Reduce poverty
- Improve governance
- Strengthen competitiveness of producers and increase income
- Increase regional GDP in rural areas and expand participation of small-scale producers
- Ensure sustainability
- Improve quality of public investment
- Strengthen participation of small-scale producers in production and social affairs

The adoption and implementation of a **national strategy for sustainable development of rural territories** (hereinafter, the strategy) will ensure the positive impact of policies that aim to improve quality of life in rural areas. These will contribute to harmonizing action plans of various sectors, generating their synergy effects, improving efficiency in public financial management, and making the public sector more responsive to the needs of rural areas as a promoter of participatory management in rural territories.

## 1.3 Institutions for Implementation

Based on Presidential Order 648/08, this study was implemented under supervision and coordination of Inter-Agency Coordination Committee (CIMC in Spanish)<sup>5</sup>, for which Cabinet of Presidency served as political coordinator, and Economic Council and Minister of Finance served as implementation coordinator.

To support implementation of this study, the Japan International Coordination Agency (JICA) formed a consultant team consisting of the IC Net Limited and Nippon Koei, Inc.

---

<sup>3</sup> Following an agreement between EDRIPP Technical Unit and JICA Consultant Team, the title of final product of this study has changed from “Master Plan” to “Guideline.”

<sup>4</sup> “Appropriate management of territories” means the type of management that pays balanced attention to the four dimensions of the territorial approach, which is discussed in the following chapters.

<sup>5</sup> Coordinación Interinstitucional y Multisectorial de Contraparte (CIMC).

In order to provide technical and administrative support for the Inter-Agency Coordination Committee, the government formed Technical Management Unit (UTG<sup>6</sup> in Spanish) consisting of representatives of the Presidency, Ministry of Finance (MH in Spanish), Ministry of Agriculture and Livestock (MAG in Spanish), Economic Planning Agency (STP in Spanish), Environment Agency (SEAM in Spanish), National Institute for Rural Development and Land (INDERT in Spanish), Ministry of Industry and Commerce (MIC in Spanish) and Ministry of Public Works and Communication (MOPC). This study was implemented in coordination and cooperation with department and district governments and many other rural organizations in Paraguay.

At the end of this report, a list of members of CIMC, UTG, JICA, and JICA consultant team who were involved in this study is attached.

#### 1.4 Structure of Study

The current Guideline was formulated for the Eastern Region of Paraguay, except the Central Department and Asunción Capital because these are predominantly urban areas.<sup>7</sup> However, the strategic lines presented under ‘pillars’ and ‘axes’ in the remainder of this Guideline can be applied for the whole nation. It is hoped that, following the formulation of a national strategy for sustainable development of rural territories, the government would expand the coverage of the strategy to the whole nation including Central Department and Western Chaco Region, and implement programs and policies that strengthen linkages between urban and rural areas.

The main activities to formulate this Guideline and the main products are presented in Figure 1.4.1.

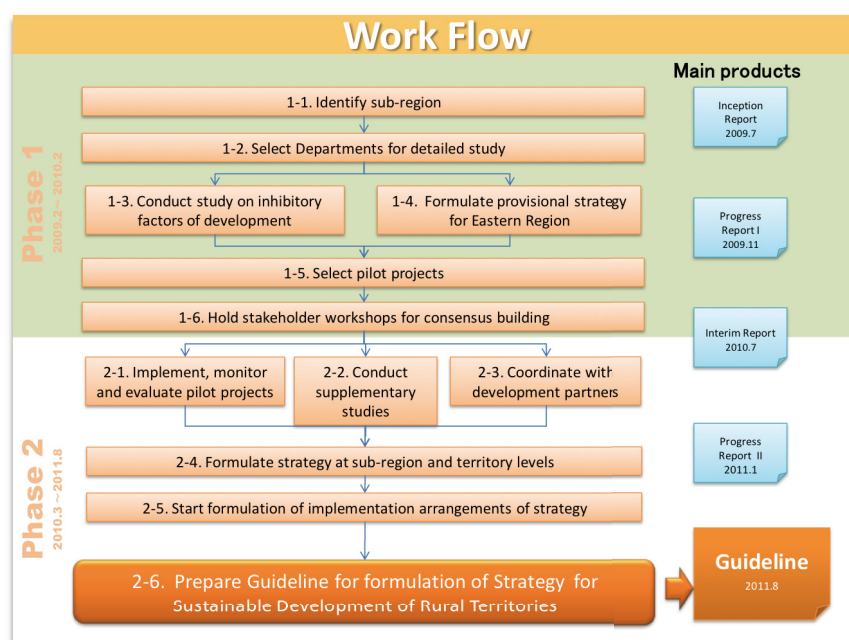


Figure 1.4.1 Work flow and main products

<sup>6</sup> Unidad Técnica de Gestión (UTG)

<sup>7</sup>The main reason for the exclusion of Central Department from the current study was simply due to its characteristics of rapid urbanization and improved access to Asunción Capital.

The remainder of this Guideline consists of the following chapters.

Chapter 2 explains the need of a new framework for rural development in Paraguay and the basic concept of territorial approach. It makes clear the differences between conventional approaches for rural development and the territorial approach proposed in this Guideline. In addition, it explains three levels of the strategy – Eastern Region, sub-region and territory.

Chapter 3 presents a diagnostic analysis on the current situations and key issues of rural dynamics in Paraguay. The analysis includes diagnostics on macroeconomic environment, and on rural dynamics in four dimensions of territorial approach. This is followed by a proposal of four sub-regions in the Eastern Region, each of which consist of a group of departments that share similar characteristics. The purpose of this proposal is to promote rural development effectively through the formulation of differentiated strategies for respective sub-regions. This chapter is concluded by explaining the characteristics and potentials of respective sub-regions.

Chapter 4 is the proposal of a strategy for sustainable development of rural territories, presenting “Vision 2030”, which is the long-term goal of the strategy, the concept of development, and the logic for the implementation of concrete policies and programs by four dimensions – economy and production, society and culture, environment, and policy and institution. In this Guideline, four dimensions are called “pillars”, whereas the policies and programs that cut across and complement the four pillars are called “axes.”

Chapter 5 proposes a set of differentiated strategic lines that are adjusted for characteristics and potentials of respective sub-regions.

Chapter 6 proposes critical elements and steps to transform the framework of institutions and organizations for rural development, as well as institutional arrangements to implement the strategy for sustainable development of rural territories. First, it lays out the scope of members who is to be involved in, and the functions required for, the institutional arrangements. This is followed by the proposal of future, ideal institutional arrangements that would fulfill all critical elements, and of immediate ones in order to establish the ideal institutional arrangements in the future.

Chapter 7 concludes this Guideline by highlighting critical pre-conditions for successful implementation of the strategy.

## 2. Rural Territory as a Focus of Sustainable Development

This study was conducted based on the concept of territorial approach to sustainable development of rural territories. Focusing on inhibitory factors of development, this study was aimed to propose ways to alleviate those inhibitory factors, and enhance the quality of life of rural people in sustainable ways.

### 2.1 The Need of a New Framework

Paraguay and many other Central and Latin American countries have been trying to implement various rural development policies and address development issues in the last few decades. Most of them, however, have been focusing on development of respective sectors, and therefore taking sector approach as a result. In addition, those policies have been formulated by central governments with little participation of social actors<sup>8</sup>, targeting narrowly specified groups of people with the objective to utilize public resources efficiently. Moreover, those policies have not paid sufficient attention to such issues as technology for agricultural and industrial production, infrastructure, vocational training, investment in farms, and organization of producers. Against this background, territorial approach has emerged as an alternative to overcome various issues that have been observed in conventional approaches to rural development.

A huge amount of public investment made under rural development policies in the past has not been able to address structural problems of rural areas, and has often become a cause of those structural problems. Although global markets in the last few years have been providing favorable opportunities and environments for Paraguay, the country's agricultural policies have not been sufficiently promoting economic growth strategies that take the most advantage of agricultural exports using viable agricultural production chains. Thanks to agricultural and related businesses, contribution of agriculture to GDP has been accelerated and new jobs and revenue sources have been generated, and yet most small-scale producers have been left behind. It is a critical issue to establish a win-win relationship between large- and medium-scale producers who possess dynamic, efficient value chains and small-scale producers who do not have them. Another critical issue is to ensure production processes that adopt sustainable environmental management and alleviate negative external events such as droughts that have occurred unexpectedly.

---

<sup>8</sup> Social actor is a group, organization or institution that initiates and takes actions by itself, or makes proposals to mobilize society for the interests of members in society. Social actors interact and influence each other within society. Examples of social actor include, but not limited to: civil society organizations; syndicates; political parties; government institutions; international cooperation agencies; and multi-national organizations. See Table 6.3-2 in Chapter 6 for the roles of social actor in society.

A strategy for rural development should aim to facilitate entry of small-scale producers into value chains of medium- to large-scale producers, complement each other with the common objective among various social actors in the value chains, enhance cooperation and build trust among them, and make the best effort to realize them.

The practices of business management that ensure social responsibility and environmental sustainability will prepare the foundation for Paraguay to address long-standing issues such as concentration of wealth in the agricultural sector and rural markets, social inequality, and degradation of environment.

It is a common sense that enhancing production and productivity is necessary, but is hardly sufficient, for the improvement of quality of life of rural population in Paraguay. The programs to enhance production and productivity should be naturally implemented, but there is clear need to take other strategic actions, such as diversification of production, creation of value added, and the strengthening of production organizations, vocational training, infrastructure, health and education.

Over the last two decades Paraguay has made gradual progress in decentralization, and department and district governments have begun to implement rural development projects. Ministries and agencies of the national government have been also implementing rural development projects without sufficient cooperation with those by Department and District governments. Also, most of their projects have been in large part focusing on production of specific items in the agricultural or livestock sectors without participation of project beneficiaries.

A set of studies conducted for the preparation of this Guideline revealed that inhibitory factors of rural development could be distilled into the following three main issues. First, policies to address development problems have been managed by sectors, and these sectors have not been harmonized each other. Second, top-down approach to manage policies, programs and projects without participation of social actors have resulted in a major inhibitory factor to achieve development objectives. Finally, opportunities to realize potential benefits of cooperation between small-scale producers and agricultural value chains have been overlooked.

In the past, government functions have been weak in coordinating and harmonizing sector policies and programs, and in adjusting them to characteristics and needs of respective regions. As a consequence, precious opportunities have been lost to enhance synergy effects among policies, programs and projects formulated and implemented in various sectors.

There is therefore clear need to improve the current situations in which ministries and agencies operate under overlapping functions and authorities without cooperating each other. To improve the current situations, the government has been implementing institutional reforms recently, which is worth incorporating in the proposed strategy under this Guideline.

Among those institutional reforms, the following two stand out as the cases in which inter-agency coordination mechanisms have been established, local administration has been strengthened, and participatory decision making has been disseminated and promoted.

- i) Establishment of “Integrated Administrative System for Agricultural and Rural Development (SIGEST<sup>9</sup> in Spanish)”, whose objective is to supervise, coordinate and evaluate activities in the agricultural and livestock sector.
- ii) Establishment of “Agrarian Reform Coordination Committee (CEPRA<sup>10</sup> in Spanish)”, whose objective is to implement Integrated Agrarian Reform Program<sup>11</sup> in cooperation among concerned institutions, and to resolve problems of settlement land.

SIGEST coordinates various institutions under the MAG system at the national, department, and district levels, whereas CEPRA coordinates 23 ministries and agencies, production organizations in rural areas, and department and district governments.<sup>12</sup>

At the same time, there have been positive developments in the last few decades that have prepared organizational and institutional foundations in the public sector, private sector and civil society organizations, on which the new framework for sustainable development of rural territories could be built and strengthened for smooth transition. Those developments include local administrative system, agricultural cooperatives, associations, small-scale producers groups, NGOs for environment conservation and management, to name only a few. On the other hand, there are some offices of department governors and district mayors that encourage participation of civil society organizations in the process of development planning. Some offices of district mayors have already been organizing citizen participation forum in which citizens can provide opinions and comments. In the sectors of agriculture, education, public health and

---

<sup>9</sup> Sistema Integrado de Gestión para el Desarrollo Agrario y Rural (SIGEST).

<sup>10</sup> Coordinadora Ejecutiva para la Reforma Agraria (CEPRA).

<sup>11</sup> Programa de Reforma Agraria Integral.

<sup>12</sup> On the other hand, a large number of national ministries and agencies implement rural development programs and projects. The main institutions include Local Administration Unit (UDM in Spanish) at Ministry of Finance, General Directorate of Territorial Development at STP, Agricultural Extension Directorate (DEAg in Spanish) at MAG, MOPC, MIC, SEAM, INDERT, National Service of Environmental Sanitation (SENASA) at Ministry of Public Health and Social Wellbeing (SPyBS), and Ministry of Education and Culture (MEC). Currently no institutional mechanism is in place to coordinate policies and programs among those agencies and ministries, and they are therefore being implemented separately and independently.

sanitation, participatory approaches have been adopted with the establishment of rural committees for dialogues and participatory action planning.

At the national level, based on the law on water resources, Environment Agency (SEAM in Spanish) has established Committee for Water and Environment and adopted watershed zones as unit of water management, whereas committees for protected areas have been established in some areas. Those committees have begun to coordinate concerned agencies, but there is need to form steering committees for effective implementation of the law in some areas. These cases clearly share the concept of sustainable rural development and water management proposed in this Guideline, stressing the importance of participation in environmental and natural resource management.

There are also cases of territorial development planning in Paraguay that are similar to the approach proposed in this Guideline, in which a few districts have formed a territory and developed a development plan for the territory. For instance, Districts of Obligado, Hohenau, and Bella Vista have developed “Development Plan of Colonias Unidas 2008-2013.”<sup>13</sup> Another case of territorial development planning is the National Plan of Food Sovereignty and Security and Nutrition of Paraguay<sup>14</sup>, under which some groups of districts in departments of San Pedro, Caazapá and Canindeyú formed territories and developed action plans for the territories with participatory method.<sup>15</sup>

In the end, it is worth noting that a raise of annual payment for electricity in Itaipu Water Cooperation from Brazil to Paraguay have been approved. This could be one of major sources for sustainable development of rural territories proposed in this Guideline. As described above, although rural areas in Paraguay face unique historical challenges, there are a number of organizational and institutional developments already underway, which could help address those challenges as proposed in this Guideline.

In the next section, the basic concept of territorial approach to sustainable development of rural territories is explained in great detail.

---

<sup>13</sup> Secretaría Técnica de Planificación. 2008. *Plan de Desarrollo Colonias Unidas 2008-2013*. Asunción: Presidencia de la Republica.

<sup>14</sup> Plan Nacional de Soberanía y Seguridad Alimentaria y Nutricional del Paraguay (PLANAL).

<sup>15</sup> Rodriguez, Isidoro Enrique. 2009. *La Seguridad y Soberanía Alimentaria Familiar Campesina*. Power Point Presentation.



## 2.2 Basic Concept of Territorial Approach

It has long been recognized in Paraguay and other Central and Latin American countries that there is obvious need to overcome limitations of conventional vision and approaches of rural development. Along this trend, some of those countries started adopting “territorial approach” since the late 1990s, a new framework for rural development.<sup>16,17</sup> The countries that have started adopting territorial approach include, for instance, Mexico, Brazil, Colombia, Guatemala, Ecuador, Costa Rica, Peru, and Chile.<sup>18</sup>

It is not an easy task to summarize territorial approach in a single sentence, since its scope, method and contents vary considerably among those countries that have adopted territorial approach. Those differences have arisen primarily from wide variations of governance structures and development stages in those countries. However, the basic concept underlying territorial approach can be succinctly summarized in the following:

“The territorial approach to sustainable rural development is conceived as a process that is aimed at transforming the development dynamics of territories through the orderly distribution of production activities, in keeping with the potential of the natural and human resources of the territory.”<sup>19</sup>

The territorial approach to sustainable development of rural territories (DSTR in Spanish) tackles development from the four dimensions in the following (Figure 2.2-1).

- ✓ **Policy and Institution:** Good governance as a result of efficient and transparent functions of institutions.
- ✓ **Economy and Production:** Competitiveness arising from utilizing and integrating all potentials related to rural economy and production.
- ✓ **Society and Culture:** Social equity that ensures redistribution to people according to their respective efforts.
- ✓ **Environment:** Growth and development without sacrificing environment.

---

<sup>16</sup> For the details of sustainable rural development through territorial approach, see the following documents. Sepúlveda, Sergio S. 2008. *Gestión del Desarrollo Sostenible en Territorios Rurales: Métodos para la Planificación*. San Jose: Instituto Interamericano de Cooperación para la Agricultura. Sepúlveda, Sergio S. and Marcelo Duncan A. Guimarães (eds.) 2008. *Gestión del Desarrollo Sostenible en Territorios Rurales en Brasil*. San Jose: Instituto Interamericano de Cooperación para la Agricultura.

<sup>17</sup> At the same time, main international agencies for technical and economic cooperation have increasingly adopted this approach since this could respond to various objectives of development.

<sup>18</sup> The member countries of the Organisation for Economic Co-operation and Development (OECD) including Mexico have also been trying to explore new rural development frameworks, since they recognized limitations of conventional, agriculture-centered rural development under the worldwide trend of economic globalization. In OECD, those new framework is generally called “place-based approach” rather than “territorial approach.” For details of place-based approach, see for example, OECD. 2006. *The New Rural Paradigm—Policies and Governance*. Paris: Organisation for Economic Co-operation and Development.

<sup>19</sup> Quoted from Sepúlveda, Sergio S. 2008, p.8.

The basic objective of DSTR is to promote social solidarity within rural territories, between rural territories, and between rural territories and other parts of society. This implies transforming rural territories with participatory management, and strengthening basic elements of national development plans such as democratic governance, civic participation, organizational and institutional development.

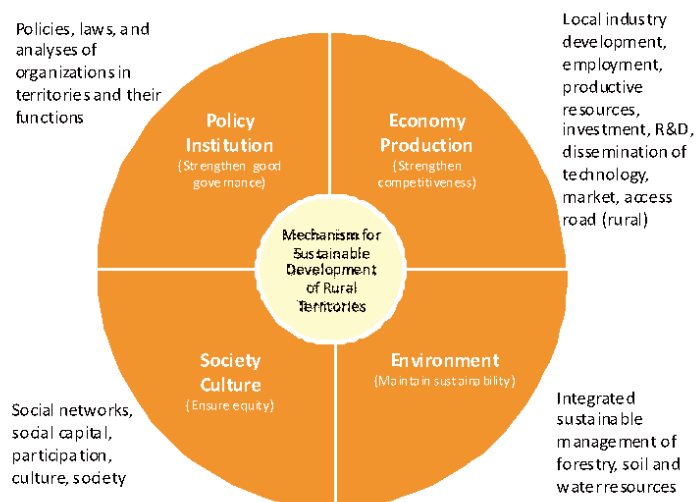


Figure 2.2-1 Four dimensions of territorial approach

In this Guideline, social solidarity is meant to transform power structure between civil society and government, and share a common vision of aspired society between citizens and government. This leads to strengthen citizens and cooperation of rights and duties of citizens and government.

Territorial management is conceived as a process of gradual, continuous social transformation that aims to improve quality of life of citizens in rural territory. Toward achieving efficient economy, fair society, and environmental sustainability, various actors in rural territory need to utilize their respective capabilities, maintain cultural identify, and participate actively in integrated development of rural territory.

Good governance and participation are key elements of territorial management. Effective decision making with participation of citizens will affect improvement in quality of life and realization of social solidarity efficiently. In good governance, the term ‘govern’ implies the interactive process among actors in territories, since neither public nor private sector alone possess sufficient capacity and resources to solve various challenges in territories.<sup>20</sup>

Rural development of this type is aimed to realize participatory decision making process, democratize access to public goods and services and benefits from development, and strengthen duties and rights of citizens as a result. To achieve this objective, it is necessary to establish decentralized, participatory decision making process, and strengthen forums for discussions and

<sup>20</sup> Kooiman, J. 1993. *Modern Governance*, London, Sage.

joint formulation of territorial development plan as a means to achieve efficient empowerment of all social actors.

At the national level, there is a critical need to coordinate and harmonize sector policies to match public services to the needs of respective territories. To achieve this, both top-down and bottom-up management processes are to be implemented, and actors of civil society and respective public sectors need to confirm relevance of the public services provide by the public sectors.

In addition, there is need to ensure that social actors are given opportunity to participate in the process of implementation, monitoring and evaluation of public services delivery. This practice will help enhance capacity of civil society. The methods of development in respective territories will be decided with participation of citizens. In the future, it is expected that civil society would exercise their rights and duties by not only implementation, but monitoring and evaluation of the progress of public sector plans and activities.

In the DSTR, the word “territory” has its specific meaning and is defined as follows:

“Territory is a historically established social construct – with a unique social fabric – that is endowed with a certain base of natural resources, certain modes of production, consumption and trade, and a network of institutions and organizations that give cohesion to the other elements.”<sup>21</sup>

Here it is important to note that the boundary of a territory is not necessarily limited by administrative units such as department and district. For instance, it is not unusual that an ethnic group who shares common culture lives in the area that cut across boundaries of administrative units. In DSTR, social actors in a territory identify their territory based on their own identity, and therefore there are cases in which the territory cross-cuts more than one administrative unit.

However, at the initial stage of implementation of the strategy proposed in this Guideline, it is certainly possible that a department or a district could be adopted as a territory.

The following summarizes key aspects of DSTR, supplementing the explanation of basic concept of DSTR explained above.

---

<sup>21</sup> This was quoted from Sepúlveda. 2008, p.11.

- Strong political commitment and decision making to strengthen inter-agency coordination, active participation of national and local administration, and participatory management of policies and territory.
- DSTR forms the foundation of participatory management for sustainable development of rural territories, and proposes a long-term vision to achieve objectives in four dimensions.
- A strategy for DSTR should be seen as a proposal at the national level that accompanies laws, programs and projects that implement the strategy. The DSTR is a means to address challenges and issues of various sectors in rural areas.
- The four dimensions described above are concerned with multi-dimensional activities of rural development. Smooth transformation of those activities will necessitate involvement of various national government institutions and agencies and other public institutions and establish networks of activities in those sectors.
- Strengthening capacity of civil society through various means is one of the critical aspects of DSTR in this Guideline. This will help ensure efficient participation of citizens in decision making at the national, regional and local levels. Co-management by governments and citizens will lead to establish foundation of democracy and strengthen civil society organizations.
- Women and youth are important citizens as well as actors for territorial management. Women are future driving forces of development, and should be given opportunities to participate actively in decision making processes. The youth will inherit results of current decisions, and need to live with, and take up responsibility of, those results in the future. These imply that any future development strategies could not be implemented unless women and youth are fully involved in those strategies.
- Rural territory often involves small- and medium-size cities, including areas with high population density and small-size cities that have close linkages with rural areas. It is often the case that rural residents need to have access to markets that are located in small-size cities with high population density, in which rural residents purchase necessary goods and services. Those linkages between urban and rural areas should be seen as potentials to vitalize not only the rural economy but also the rural society as a whole.
- Production activities in rural areas are broad and diverse, including not only agriculture but also processing industries and related service industries. It is important to recognize the diversity of rural areas and develop them in social, economic and environment dimensions.
- There is need to aim at growth and development through enhancing internal production potentials of rural territories, and collaborating with dynamic local, domestic and international markets. To achieve this, it is critical that the potentials of value chains should be fully utilized. The entry of small-scale producers to value chains will require enhancing mechanisms of their capacity development and their access to finance and technology appropriate for their production size. Furthermore, it is important to urge small-scale

producers to adopt production methods that can realize economy of scale through, for example, strengthening cooperatives and other forms of organizations.

- For sustainable development, there is need to adopt guidelines, laws and regulations that would enhance incentives to adopt environmental management in all strategic lines and activities. To achieve this, children and youth need to be encouraged to participate in environmental management from early stages, and collaboration with educational and research institutions such as schools and universities should be sought as partners in environmental management.
- Access to markets through road, electricity, and telecommunication is one of necessary conditions for rural territory to ensure well-being of its population, maintain competitiveness of its firms, and attract new businesses. Enhancing whole aspects of rural territory is required to strengthen competitiveness of rural firms.
- In order to implement development process, there is a clear need of public institutions to implement their organizational reforms, promote participation of various actors, and set out rules that all social actors and development promoters are required to respect and follow.<sup>22</sup> This development process is therefore the process that would identify rights and duties of stakeholders and mechanisms of transparent, participatory monitoring and evaluation, through which future of territory would be constructed collaboratively.
- The framework of collaboration between public and private sectors will need to be adjusted to combine participatory territorial management with efficient use of public investment, so that the private sector can participate in formulation process of development plans.
- The framework of DSTR should propose ways to strengthen mechanisms in which rural people can exercise their rights whereas fulfill their duties as citizens.

The proposed framework of DSTR under this Guideline is based on the basic concept of territorial approach described above. To summarize, Table 2.2-1 summarizes the differences of characteristics between the proposed new framework and the conventional one.

---

<sup>22</sup> The term “social actor” is a group, an organization, or an institution that takes actions under its initiative and proposes movement of a society. Social actors influence and interact each other within a territory. Examples of social actors include, but not limited to, civil society organizations, syndicates, political parties, government institutions, international aid agencies, and multinational corporations. The term “development promoter” means an individual or an organization that is involved in vitalizing social and economic development, and plans and implements projects and various activities in order to improve the quality of life of people in a territory.

**Table 2.2-1 Characteristics of the proposed new framework of DSTR**

	Conventional framework	New framework (proposal)
1. Objective	Increase agricultural income	Improve the quality of life in rural areas
2. Approach	By sector. Divided	By territory. Systematic, multi-dimensional (society and culture, economy and production, environment, policy and institution), multi-sector (e.g., agriculture, tourism, industry, service, information technology)
3. Policy, public investment program, public service delivery	Top-down by national government	<ul style="list-style-type: none"> <li>• Harmonize public policies, investment programs and service delivery to characteristics and needs of territory</li> <li>• Manage public policies, programs and service delivery through participation of, and collaboration with, social actors in territory (bottom-up)</li> </ul>
4. Coordination, cooperation and empowerment	Lack of coordination and cooperation among development activities, low effectiveness of development activities	<ul style="list-style-type: none"> <li>• Coordination and cooperation among social actors</li> <li>• Empowerment of social actors in territory (public institutions, private sector, civil society organizations)</li> </ul>
5. Stakeholders	Government, farmers involved in agriculture and livestock	<p>Social actors</p> <ul style="list-style-type: none"> <li>• Public institutions (e.g., national, department, district administration)</li> <li>• Private sector (e.g., firm, cooperative, association)</li> <li>• Civil society organization (e.g., NGO, civil organization, foundation, association)</li> </ul>

- 1) Objective Under the conventional framework, the main objective of rural development was to increase production and income of farmers who are involved in agriculture and livestock. By contrast, the main objective of the proposed new framework is to develop not only agriculture but also industry, services, fishery, environmental services, tourism in rural territory, and improve quality of life of rural population as a result.
- 2) Approach Under the conventional framework, ministries and agencies of national government formulate sector policies and action plans, and implement them top-down. By contrast, the proposed new framework focuses on harmonizing action plans of all sectors to meet multi-sector needs of respective territories through the process of participatory management of development plans.
- 3) Policy, public investment program, public service delivery Under the new framework, sector policies will be differentiated to match characteristics and needs of respective territories, and co-managed by stakeholders involved. Planning will be carried out with participation of citizens. To achieve this, it is essential to strengthen participation of social actors in territorial planning, implementation and monitoring, and implementation capacity of territories.

- 4) Coordination, cooperation, capacity development In the conventional framework, actors at respective levels implemented development activities with little coordination. By contrast, the new framework will strengthen mechanisms of coordination among various actors and enhance capacity of management at regional and local levels.
- 5) Stakeholders In the conventional framework, stakeholders of rural development are primarily national ministries and agencies, and agriculture and livestock farmers. The new framework, by contrast, will aim to involve all actors in rural development.

The main purpose of this document is to offer the Guideline that would help Paraguay translate the DSTR, the new framework for sustainable rural development, into actions.

A smooth transition from the conventional to the new framework will require targeted capacity development, adjustment of organizations, institutions and methodologies, strengthening of civil society organizations, and harmonization of public and private investments.

In addition, there is need to establish mechanisms of inter-organizational coordination to implement strategies based on existing institutions and organizations. This will likely necessitate the government to reorganize roles and functions of respective ministries and agencies, and revise laws and regulations in gradual and step-by-step manner.

Furthermore, development of social actors will be needed to deepen understanding about the DSTR. To improve management capacity at regional and local levels, it is essential to strengthen civil society organizations, and improve information and communication management.

In the next section, the overall structure of strategy for sustainable development of rural territories (DSTR in Spanish) that is based on the basic concept of territorial approach described above and is proposed in this Guideline.

## 2.3 Structure of strategy

The strategy proposed in this Guideline consists of three levels – Eastern Region, sub-regions and territories (Figure 2.3-1). In the following, the contents of the three levels are explained briefly.

### 2.3.1 Levels of strategy

Since the concept and methods of the strategy proposed in this Guideline can be applied for the entire nation, it is proposed that the strategy be formulated and implemented in a step-by-step manner. It is expected in the future that the strategy would expand its coverage to Central Department and Western Chaco Region. Furthermore, it is important that effort should be made to strengthen linkages between urban and rural areas that could be one of key driving forces in order to vitalize territories.

In chapter 4, the overall direction of DSTR at the national level is presented. This proposal has been formulated from the results of a number of studies by experts in various fields, discussions and dialogues held at regular UTG meetings that consist of national ministries and agencies, and a series of participatory workshops with civil society organizations, the private sector, the research and education sector, and the public sector at the local level.

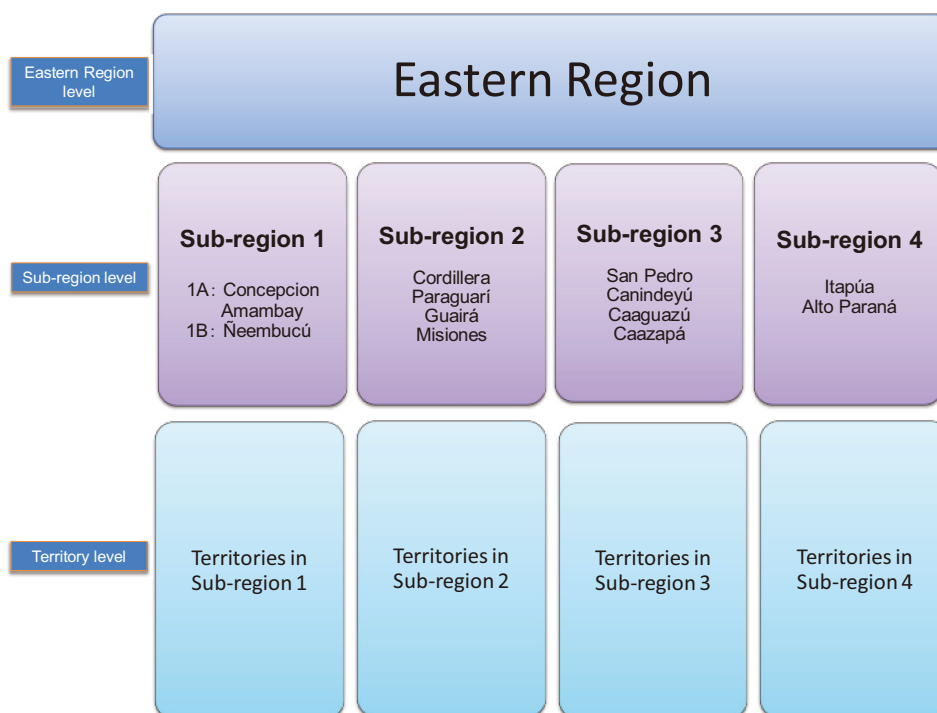


Figure 2.3-1 Three levels of the strategy for DSTR



The sub-regional component presented in chapter 5 consists of four sub-regions. For the preparation of this Guideline, statistics of 14 departments in the Eastern Region were used to analyze their characteristics, and those departments were grouped into four sub-regions, as a result.<sup>23</sup>

The component of sub-region proposes the direction of sub-regional development that is in line with that of Eastern Region, whereas differentiated to adjust to the characteristics and potentials as well as the views and opinions of social actors of respective sub-regions. This component was formulated based on the participatory workshops held at respective sub-regions. These workshops were held to grasp the characteristics and potentials and incorporate views and opinions of social actors in respective sub-regions.

The component of territory is the level that is the closest to people, and that there are many territories in each sub-region. This component needs to be formulated, implemented, monitored and evaluated through active participation of social actors in respective territories. Social actors will formulate territorial development plans in coordination with sector programs of ministries and agencies of the national government. This will require developing mechanisms in which social actors in the territory conduct dialogues, coordinate each other, and determine priority by their own. For the preparation of this Guideline, development plans were formulated in a selected, representative territory of each sub-region as pilot cases to learn lessons. Annex 3 of this Guideline reports the results of those formulation exercises.

### **2.3.2 Contents of respective levels**

This section presents the contents of respective levels (Figure 2.3-2). Generally, each level includes the same contents as explained below.

---

<sup>23</sup> Chapter 3 describes the methodology of this grouping.

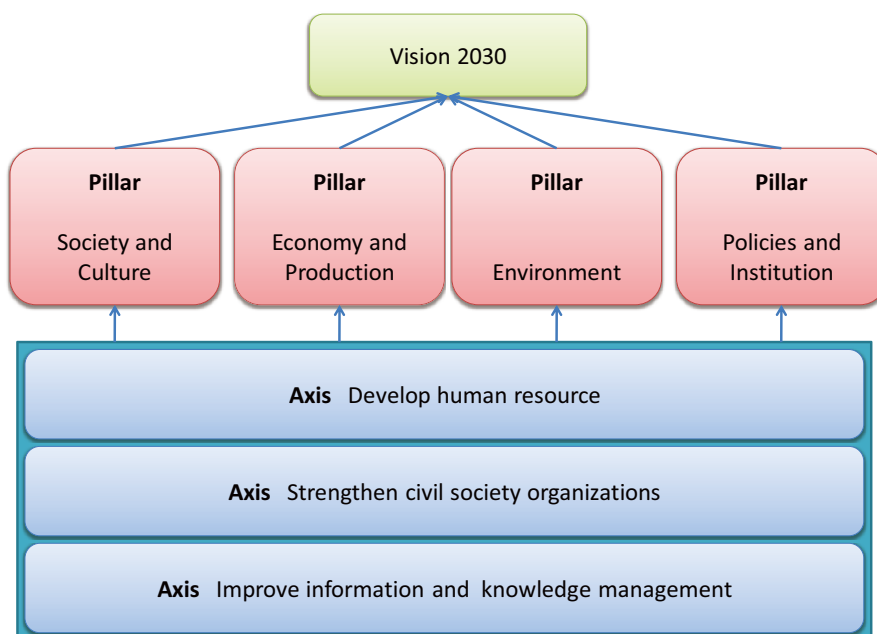


Figure 2.3-2 Contents of Each Component: Vision, Pillars, and Axes

First, each level of the strategy starts with Vision 2030, the super long-term goal to be achieved after twenty years of implementation of the strategy. Vision 2030 should be consistent with policy goals of respective sectors of the national government. In addition, it should articulate the ideal situations of rural areas in 2030, which reflects the basic concept of DSTTR. However, this Vision should be sufficiently flexible to adapt to changing environments at the international, national, regional, and local levels.

Aiming to alleviate inhibitory factors of development and achieve Vision 2030 in twenty years, each component consists of strategic lines that are grouped into ‘four pillars’ and ‘three axes’.<sup>24</sup>

The four pillars aim to improve four dimensions in rural areas – economy and production, society and culture, environment, and policy and institution, whereas three axes are groups of strategic lines that cut across the four pillars, strengthening social actors in territory. The three axes consist of capacity development, strengthening civil society, and information and knowledge management. Strategic lines in those axes are aimed to strengthen capacity of institutions, organizations, and human resources that are necessary to implement strategic lines under four pillars continuously and sustainably.

The pilot projects initiated in three sub-regions under the current study will validate some strategic lines in those pillars and axes. Annex 4 provides brief explanations on these topics.

<sup>24</sup> A study under the EDRIPP identified inhibitory factors of development in Paraguay. See Annex 6 for the concept and the main results of this study.