

Productive Household Projects in the context of Participatory Budgeting System in Cantòn Cuenca, Ecuador.

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Introduction

The **productive households project** (*vivienda productiva*) was borne from the awareness that all housing projects (construction or improvement) in developing countries must be connected with programmes that focus on social, economic and productivity development in order to guarantee a more substantive improvement in the overall quality of life in the community. For this reason the **productive households project** focuses not only on physical improvements, such as infrastructure and facilities, but on the concept of *habitat* – which sees the house not just as a place for living, but also as a location for productive activities. The project, which integrates many of these factors, would improve the economic, territorial and social aspects of the community. The proposal is this:

- Development of the productive activities existent in and around the houses;
- Improved commercialization of what is produced in the houses in order to increase the family's income;
- Improved infrastructure and facilities (such as roads, water, toilets) in order to facilitate productive activities and to better the hygienic conditions of the houses;
- Promotion of micro-loans in order to grant access to credit utilizing the savings of the stakeholders and public funds.

The project is a proposal for some areas of Cuenca, a city in the central-south area of Ecuador, where most households are already productive. Most of the houses in Cuenca are places where all family members, in particular the women, are concerned with agriculture, weaving, making pottery, preparation of typical food and a few other traditional activities realized in/around the houses. These activities create the possibility for subsistence living for the families, and also creates a supply of agricultural and traditional products for the local market. However, these activities don't act as a income-provider for the families, because of the existence of mediators, the small scale and the informality of the activities.

The three main focuses of the project are the improvement of the hygienic conditions of the houses, the development of productive activities (concentrating on improvement of the production and commercialization process) and the opening of a micro-finance line.

This document describes the proposal of a **productive households project** for 25 families in San José, one of the four pilot neighbourhoods selected for the creation of the **productive household project** in Cuenca. The principal productive activity in San José is basket-weaving and there is actually a good demand for this kind of products in the local market of Cuenca.

The objective of the project is to contribute to the livelihood of the poor families and has the ambition to include, for the first time, a productive project in the participatory budgeting procedures, adopted in 2001, by the municipality of Cuenca in order to put distribution of resources in synch with social priorities.

Background

Cuenca is one of the main cities in the province of Azuay in Ecuador with a population of 417,632.

In 2001 the Municipality of Cuenca undertook an important effort to modify policies and budgeting, adopting participatory budget procedures in 21 *parroquias*¹, the most marginalized areas of the city. Since then, the municipality has adopted a series of measures to achieve transparency, social responsibility and citizenship participation.

Since 2001 the communities have had direct control over political decisions and public investments: they take part in the parroquial assemblies, identify and prioritize public works initiatives, and are involved in the execution of the projects, sharing the project management with the municipality. According to municipal data, labour from the community, decreases the cost of projects by an average of 30%. In the last three years, the communities have begun 893 community infrastructure and facilities projects, maintained 1200 km. of roads and community leaders have also participated in a number of training courses for skills development. With the participatory budgeting system, not only does the community contribute to the financing of the project, but it also 'owns' and is responsible for the administration and maintenance. In this way, the participatory budgeting system not only permits "direct democracy"², but also reduces municipal expenditures.

In the last year some communities have begun to ask for the ability to include in the participatory budgets not only the construction of infrastructures and facilities, but also projects that improve the productivity of the community. For example, eco-tourism projects, agriculture cooperatives, artisan organizations, and/or training courses. Gradually, the communities are beginning to think about possibilities for improving the quality and quantity of productive activities, in order to increase the income of both individual families and the entire community. However, at the moment, the participatory budget procedures do not provide for this type of project.

The **productive household project**, which was approved by some community assemblies, was developed as a possible answer to this community request. The **productive household project** would, for the first time, create the possibility to introduce a productivity project in the participatory budgeting system in Cuenca. The project has already been approved by the communities and the Municipality.

In 2001 a Strategic Plan (*Plan Estratégico de inversión-PEI*) was approved in Cuenca. The PEI concentrates on the following themes: fair trade, distribution and availability of information, housing, participatory planning, migration and gender equality. Given the problem of a lack of housing for the most vulnerable people, the PEI created the possibility to introduce programmes for increasing the income of low income inhabitants.

In 2001, acknowledging the existence of a big disparity between the women and men in Cuenca, the Equal Opportunity Plan (Plan de Igualdad de Oportunidad- PIO) was approved with the objective of influencing politics, programmes and projects in order to create more equal opportunities between men and women, focusing on employment.

¹ *Parroquia* is the name of the district in Cuenca. In all the rural area of Cuenca there are 21 *parroquias*.

² Yves Cabannes. *Bilancio partecipativo e finanziamento locale*. PGU (UN-Habitat) 2004.

The **productive household project** integrates both the PIO and the PEI. It supports the PIO because the beneficiaries are mainly women, who tend to spend more time in the houses and are generally the ones responsible for the activities in and around the houses. It supports the PEI because the project is at the community level, and further develops the participatory budgeting system.

The project also complements *RedeSol*, the Fair Trade Network that was initiated in Cuenca in 2002 with the objective of creating fairer market opportunities for the most vulnerable producers. This includes small producers, informal producers, those who must sell to middlemen, and those who cannot increase the scale of their activities. The **productive household project** working with *RedeSol* could become an instrument to sensitize the communities to the issues of fair trade and equitable commercialization.

The methodological approach: a pilot programme created to become large-scale.

Although it is difficult to define methodology in a participatory approach, it is possible to underline some components of research that were utilized in the formulation of the final proposal.

The diagnostic phase was extremely important, and consisted of a *set of techniques*: direct fieldwork observation, qualitative interviews, informal conversation, participation in the community life and a final community assembly to verify, with the participation of the stakeholders, the collected data.

This diagnostic phase created community participation in all the problems, allowed continual verification of the data, and provided relevant information in a variety of different areas, among which were housing, and the economic, social, and the organizational situation of the community.

Another important aspect in the development of the project was the creation of the **project team**, which allowed:

- The facilitation of ***inter-institutional participation***, allowing coordination of activities at different management levels. The team was composed of Junta Parroquial (representative leaders of the community), municipal officers (representatives of the urban planning department, social development department, the housing department, and the cultural development department), a representative of *Redesol* and some key informers of the same community.
- The facilitation of ***community participation*** in all the phases of the project, ensuring general agreement on the actions to be taken.
- The promotion of the ***inter-disciplinary strategy***. The complex nature and variety of the poor communities, called for an inter-disciplinary approach covering social, economic, cultural and environmental aspects.
- The creation of a ***specific technical unit*** for formulation and implementation of productive household projects. The technical team has the responsibility for the eventual replication of the pilot projects in other rural communities of Canton Cuenca.

Productive household project in the Community of San José

Findings

The community of San José was chosen for the pilot project, because of the high level of community participation and interest of the community's leaders. The participatory budgeting system in San José has reinforced the existent social structure: the Junta Parroquial and the informal community organization.³ S. José, one of the communities in *Parroquia S. Joaquin*, is located 8 km. from the centre of Cuenca. The community is composed of 83 households mainly concerned with agriculture and artisan activities in/around the houses and, according to the municipality's data, are considered low-income.

The most important *productive activities* for the community are: agricultural production, straw basket-weaving, and breeding of small animals (pigs, chickens and rabbits).

Straw basket-weaving is the most traditional as well as the most profitable activity and virtually all the women work in this area. The main constraints for increasing the productivity of the weaving are all connected with the lack of direct contact between producer and consumer: the middle-men don't pay an adequate price to the women, who take an average of one day to weave each basket. Moreover, the women lack the knowledge to produce finished baskets, and so are obliged to sell the baskets only semi-finished to the middle-men.

The *organizational level* of the community is already quite high, there is also a large amount of collaboration between the women, and they are trying to create an organization to increase the productivity of their basket weaving. The main social problem of the community is the existent disparity between women and men: usually the women are the ones responsible for the family income and management of finances, while many men are affected by the problem of alcoholism. Despite this, most paying jobs go to the men.

In terms of *infrastructure and facilities*, the most critical problems are the hygienic conditions of the houses and the poor maintenance of public works projects: the pit latrines are unusable, the roads are impassable, and the drainage system is covered with garbage. Since the introduction of the participatory budgeting system, little by little, the conditions of infrastructure and facilities are improving. For example, currently all the households have access to water although plans for making the water drinkable are still in process. The process of improving the other infrastructures and facilities is slow because of the gap between what is necessary and the available economical funds.

Project stakeholders

Taking into consideration the interest and the level of participation in the community assemblies organized specifically for the project, the direct beneficiaries would be 25 households. 80% of them are headed by women who weave straw baskets and are currently working to create a productive organization. Currently, the income of these selected households is around \$50 US per month. If the project is successful, all of the 83 households of the community could eventually become indirect beneficiaries of the project.

³ While in Porto Alegre the Participatory Budgeting System starts with the creation of a specific structure (Participatory budgeting Council), in Cuenca it sustains and develops some existent social structures, such as the Junta Parroquial, composed by community leaders (who received training and capacity building courses), and informal community organizations.

Action Plan

The project has the general objective of contributing to the livelihood of these poor families. Specifically, it focuses on the following four areas:

1. improvement of the hygienic condition of the houses;
2. improvement of the infrastructure and facilities;
3. development of community production of straw baskets;
4. sustaining the organizational level of the community.

For the improvement of the *hygienic conditions of the houses*, the proposal concentrates on improving/repairing the roofing, flooring, and walls of the houses, taking into consideration the specific conditions of each house. In addition, the proposal attempts to improve the productive areas of the houses. The estimated maximum cost for the physical rehabilitation is \$1000 US per house. This figure could be about 30% higher, however, as the figure only refers to the cost of materials, following the desires of the community expressed during the assembly. The women proposed their traditional way of working, the *minga*, where all the members of the community participate to the rehabilitation of each houses, instead of paying for labour for each house.

For the *improvement of infrastructure and facilities* the Municipality has some programmes already in process; each year they select the communities for the projects, according to where they are most needed, and to where the level of community participation is the highest. The proposal asks the municipality to prioritize the S. José community in order to permit the implementation of the pilot **productive households project**. The proposal has been accepted by the municipality. The project of “unidad basica sanitaria (UBS)” and the rehabilitation of the road have already begun.

In order to *improve the production* and develop the commercialization of baskets the following strategy was developed:

- Market research in order to verify the possibility of and the opportunity to improve and increase the scale of the activity. The first results were obtained through a one year contract between the women of S. José and the municipal enterprise (EMAC- Empresa Municipal de Aseo de Cuenca). EMAC needs baskets to collect garbage from the city and they have agreed to buy them from the women of S. José. The enterprise has already expressed the willingness to renew the contract for the following year. This opportunity has permitted a guarantee of a minimum monthly income for the poor families of S. José and at the same time, has eliminated the middle-men from the selling of the baskets.
- In order to improve the women’s ability in weaving the baskets, a training course and technical assistance for one year is proposed. The Terms of Reference (TOR) for an expert in weaving basket have been prepared and in collaboration with the community, an expert has been selected.

In order to *strengthen community organization* the project proposes specific courses organized by the technical team of the municipality in order to formalize the creation of the women’s basket-weaving organization.

Costs

The costs were estimated as follows:

- For the rehabilitation of the houses the costs are estimated at a maximum of no more than \$1000 US. This figure refers only to the materials, as the community intends to do the construction work cooperatively.
- The cost necessary for the infrastructure and facilities was not calculated because they are part of the municipal budget.
- The cost for the training, technical assistance and materials for 1 year in order to improve basket weaving production was \$8,250 US. (The total cost was estimated by the expert and approved by the technical unit of the project).

Considering this analysis, the **total cost** of the **productive households project** in S. Josè was calculated to be **\$33,250 US**: \$25,000 for the physical rehabilitation of the 25 houses and \$8,250 for the improvement of production activity.

Financing Source

The financing components of the project are:

- Micro-finance for the physical rehabilitation of the houses;
- Participatory budgeting for the improvement of production activities.

The micro-finance strategy, approved by the Mayor of Cuenca involves:

Guaranty fund provided by the Municipality of Cuenca with the objective of facilitating the access to credit for all the stakeholders of the project, in particular for poor families that cannot give a guarantee because they lack the property title usually requested by all the micro-finance agencies. This fund allows the Municipality to divide the risk of defaulting families with the micro-finance agency. Given the number of beneficiaries of the project is 25 households, the guarantee fund has to cover \$25,000 US. The proposal of creating a public fund was approved by the mayor.

Based on the abilities of the families of S. Josè to pay back the loans, CO-DESARROLLO was selected as the microfinance agency. This agency allows the poor families the possibility to obtain the loans without defaulting, because it has an interest rate of 14% (less than the 15% offered by the banks) and gives the families 3-4 years to pay back the funds, with a monthly repayment of \$24 for each family. The selection of the Agency was done working with the municipality and evaluating the priorities of the community members.

The possibility to finance a part of the project through the participatory budget was considered by the Municipality and community members. From a legal point of view, the productive project cannot be financed with public funds and for this reason, the Mayor proposed the creation of a **mixed public-private Corporation**. In this way, the municipality, as a member of the corporation can finance the project utilizing the participatory budget.

Through this approach, the ability to finance a productive project through the participatory budgeting system was approved.

Repercussions in the short and long term

The project, in addition to the initial objective of contributing to the livelihood of poor families, is also intended to create a methodology of analysis and formulation of the **productive households project** that could be used, in the medium and long term, to replicate the project in other communities of Canton Cuenca.

In this way, the project offers impressive benefits over the medium and long term. By improving the profitable activities of the individual communities and increasing their availability in the local market, the project offers the possibility of a real increase in the income of poor families, and the creation of new opportunities for women, the most marginalized group in Cuenca society.

The mayor of Cuenca has already indicated a willingness to replicate the project, utilizing the technical unit created for the project, specifically for this eventuality.

A lack of experience in monitoring and evaluation is the main risk for the satisfactory functioning of the project. A more efficient mechanism of municipal monitoring and a formal evaluation system could enhance the results not only of the pilot project, but also in all of the participatory budgeting projects. The hiring of a municipal employee with the specific job description of monitoring these projects would be an excellent first step.

Lessons learned

During the process of the development of the project, lessons were learned in various areas:

The principal lesson in regards to *participatory methodology* was that in all stages of the process (from the initial research to the final formulation of the project) it is necessary to gain the confidence of the community members in order to obtain data that is as accurate as possible, and to ensure that the proposal is in line with the real needs of the poor families.

With reference to *improvement of production activities*, listening to the members of the community, and examining the results of past projects, it was learned that the most important thing is technical assistance. Previous courses, based only on theoretical lessons, were viewed as a failure, a waste of time and money, by the members of the community. The necessity of a strategic plan for improving productive activities, based on market research, is also important, to evaluate the opportunity for increasing and improving these productive activities. It was also found that an important aspect of opening market channels for local production is defending the local products against similar products from Peru or Colombia, which are also usually sold at more competitive prices.

As regards *decentralization and the participatory budgeting system* it is vital to emphasize that in the communities of Cuenca democracy, and the transfer of power really have taken place. The municipality officers don't take part in the *parroquial* assemblies: these are places of autonomy and free expression for the communities. Therefore, it is very interesting that each *parroquia* has its own particular regulations and its own way to respect them: the regulations were constructed with the contribution of the community members.

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