

# Productivity to Reduce Poverty: Study of a Micro-Level Institution in Peru

Pierre-Olivier Pineau<sup>1</sup>  
*University of Victoria*

IN A WORLD BANK PUBLICATION on the perception of poverty by the poor and on the voices of the poor, Narayan et al. (2000) identify four critical elements of poverty reduction strategies: start with the poor people's reality; invest in the organizational capacity of the poor; change social norms; and support development entrepreneurs. The World Bank's agenda for action, as developed in *Globalization, Growth, and Poverty* (World Bank, 2002), however, gives priority to trade negotiations and to poor countries' investment climate – two themes that never appeared in the analysis of Narayan et al. of what the poor had to say on poverty. If indeed *economic growth* dominates world talks on poverty, these words are not coming from the poor.

Can this gap between the voices of the poor and the dominant poverty reduction strategies be reduced? Can poverty reduction be at the same time consistent with the four critical elements of Narayan et al. (2000) and with the increasingly integrated free-trade world focused on growth? Through the study of a *comedor popular* (communal kitchen) in Lima, Peru, this article investigates the extent to which the

answer to these questions is positive. It is found that when the words "institutions", "productivity" and "poverty" are analyzed in their broad and complex meaning, they suddenly appear to be more relevant to the reality of the poor. "Productivity" is indeed what poor people need to get out of poverty. And they therefore need institutions that support them in being productive. This article documents the potential of a specific micro-level institution to increase the productivity of poor women, helping them to take some steps out of the misery in which they live.

The first section of this article briefly reviews the literature on economic growth and poverty, in order to establish the relationships between institutions, productivity (the major source of growth) and poverty. The second section presents *comedores populares* as institutions, or more precisely as community-based organizations. This section also studies a specific *comedor*, with a focus on its impact on poverty through increasing productivity at the micro level. The third section discusses the findings and provides some directions for further research, and the final section concludes.

---

1 The author is Assistant Professor in the School of Public Administration. This article arose from research supported by the International Development Research Centre on International Trade Agreements and the Peruvian Electricity Sector (Pineau, 2003). Research assistance from Marion Brulot is acknowledged. I am grateful to the Editorial Board of the *International Productivity Monitor* for their comments. An unabridged version of the text is posted along with this article at [www.csls.ca](http://www.csls.ca) under Publications and the *International Productivity Monitor*. Email: [ppineau@uvic.ca](mailto:ppineau@uvic.ca).

## The Triangle: Institutions – Productivity – Poverty

### Growth Strategies: Investment and Productivity

Economic growth has been intensively studied since the contributions of Tinbergen and Solow.<sup>2</sup> Their major contribution was to initiate the analysis of growth in terms of its two sources, investment and productivity. A growth accounting literature has followed (Jorgenson, 1995), looking at output in relation to the three main types of investment (inputs): capital inputs (tangible, or physical assets, and intangible assets, such as human capital); labour inputs; and intermediate inputs (raw material, energy). The ratio of output to input measures productivity. An increase in productivity allows more output to be produced with the same level of input (or the same output with less input).

Fostering economic development (growth) therefore entails strategies facilitating capital investment, job creation, use of raw materials and energy, and productivity improvements. Economic growth, as it can be expected, is linked to lower poverty incidence. Indeed, it would require an exceptionally unfair society to *increase* poverty incidence while becoming wealthier on average. Much econometric evidence has been gathered showing that growth correlates with lower poverty.<sup>3</sup> Policies to foster growth are consequently put forward in a poverty reduction context, based on the confidence in growth in reducing poverty, but also on the political difficulties linked to other poverty reduction strategies (such as redistribution policies).<sup>4</sup>

Freer trade and more open investment climates are among these policies, and international institutions actively implement them. Policy researchers have also recently focused their attention on productivity to reduce poverty, especially since productivity “is the most important source of long-term economic growth” (Sharpe, 2002). In a world with limited available capital, especially for developing countries, and rapid population growth, productivity increases are the only source of growth that can lead to a sustainable expansion of income per capita. Indeed, in the long run and at the aggregate level, other sources of growth cannot result in significant per capita increases, as the additional output from these sources is proportional to additional inputs, which expand mostly with population growth. This leaves per capita income unchanged, unless higher productivity is achieved.

Although not always recognized in the literature on poverty,<sup>5</sup> productivity is increasingly acknowledged as being central to poverty reduction. For instance, CSLS (2003) makes a strong case for productivity increases as a tool to reduce poverty, while Klein (2003) and Rodrik (2002) explore the determinants of productivity in a poverty reduction context. We briefly review these contributions to underscore the importance of productivity and the supporting role of institutions.

CSLS (2003) looks at the limited econometric literature on productivity and poverty. The main findings reviewed are that increased productivity reduces poverty by lowering the price of goods, which become cheaper because of the productivity gains; and that a reverse relationship exists between the two variables, i.e. pov-

---

2 See Klaassen, Koyck and Witteveen (1959) for selected papers by Jan Tinbergen, and Solow (1970) for his exposition of growth theory. Jones (2002) provides an introduction to growth theory.

3 A summary of this evidence can be found in CSLS (2003).

4 See Dagdeviren, van der Hoeven and Weeks (2002) for some evidence on the effectiveness of redistribution policies on reducing poverty.

5 Two recent books on poverty reduction strategies (Wilson, Kanji and Braathen, 2001 and Townsend and Gordon, 2002) do not even list “productivity” in their indexes.

erty has a negative impact on productivity. Their own analysis, following their literature review, is based on different time-series data sets of macroeconomic indicators for developing countries. It establishes a link between poverty reduction and productivity.

Klein (2003) develops policy recommendations to reduce poverty, essentially through more productive jobs. The core of his recommendations is to set-up “capable institutions”. He views three main institutions as crucial: markets, firms, and government. Markets are described as spontaneous, firms “spread best practices and productive jobs to areas where the poor live” and the government’s role is to establish the right regulatory framework for capable (productive) firms to emerge. The contribution of Klein revolves around institutions, although only at the macro level.

Rodrik (2002) discusses growth using the standard sources of growth, with a look at its “deeper determinants”, which he identifies as geography, trade integration, and institutions. These determinants are analyzed to show how they affect investment and productivity, and hence growth. It is argued that institutions do matter to provide the adequate market framework (through property rights, fiscal and trade policies, laws and conflict management).

The economic literature mentioned in this section recognizes the sources of growth and gives specific attention to productivity. In this context, Klein and Rodrik have recognized institutions as being an important determinant of productivity.<sup>6</sup> This stream of literature is however not filling the gap between the “voices of the poor” that Narayan et al. (2000) have analyzed and the macro-level institutions that are discussed. Productivity must appear at a micro

level if it is to be reflected in macroeconomic indicators. Indeed, as Beverley Carlson puts it “economic solutions in themselves are not enough and... productivity and social development depend as much on changing human factors as on economic policy” (Carlson, 1999:10). We therefore focus in this article on a more tangible strategy in which productivity flourishes, a strategy embedded in human factors.

### **Definition and Measurement of Institutions, Poverty and Productivity**

Institutions influence productivity, and productivity is an important factor in poverty reduction. These concepts and relationships are not only widely accepted by economists, but also by social researchers working directly with poor people (although, as noted in footnote 5, they seldom focus on productivity). For instance, the analysis of Narayan et al. (2000), by “examining poverty through institutions” uses a conceptual framework that clearly acknowledges the relationship between institutions and poverty. We now define and discuss measurement issues of these three concepts to clarify the terminology used in this article.

#### **Institutions**

Institutions are commonly defined as “significant practices” or “established organizations”.<sup>7</sup> In the literature on economic development and poverty, some researchers such as Douglass North (1990 and 1997) define institutions in the first sense:

Institutions and the way they evolve shape economic performance. Institutions affect economic performance by determining (together with the technology employed)

---

6 Even the more theoretical economic literature on economic growth recognizes the critical role of institutions for growth. See Jones (2002), where chapter 7 is concerned with the “social infrastructure”. Tinbergen, in Klaassen, Koyck and Witteveen (1959:275-278), examines the role of institutions in optimizing societal welfare.

7 See for instance the Merriam-Webster Online Dictionary ([www.m-w.com](http://www.m-w.com)).

**Table 1**  
**Typology of Institutions**

	<b>State Institutions</b>	<b>Civil Society Institutions</b>
Macro	National and state governments District administration Judiciary	Non-governmental organizations (NGOs) Religious/ethnic associations Trade unions
Micro	Local governments Local police Health clinics Schools	Community-based organizations (CBOs) Neighborhood associations Kinship networks Traditional leaders Local NGOs

Source: Adapted from Narayan et al. (2000:10).

the cost of transacting and producing. They are composed of formal rules, of informal constraints and their enforcement characteristics... Institutions differ from organizations. The former are the rules of the game; the latter are groups of individuals bound together by a common objective function (North, 1997).

However, the broader view of institutions as organizations is difficult to avoid. Institutions, in practice, are indeed always developed and maintained through organizations. Rodrik (2002), for instance, suggests that institutions are the organizations developing the policy framework through which practices are defined. Klein (2003) uses “institutions” in both senses when he identifies institutions with “market, firms and government”. Clearly, “the market” is a very significant practice and firms are organizations, while the government is a mix of both.

We view institutions in this paper as organizations, although their role in shaping significant practices is fully recognized. We follow the typology of institutions developed by Narayan et al. (2000). This typology distinguishes between state and civil society institutions and between macro and micro institutions, as illustrated in Table 1.

As the influence of institutions on growth/productivity/poverty has become recognized, measures of “institutions” have been developed. These measures are an effort to identify the crit-

ical factors of institutions in the role they play in growth, productivity and poverty reduction.<sup>8</sup> If some correlation can be observed between “better” institutions and growth, the difficulties involved in the measurement process (validity and reliability issues related to institutional measures) and consequently in the comparison of measures across countries, make any strong conclusion difficult to reach. Despite these measurement difficulties, however, no one has dismissed institutions as an important factor in the growth process.

### Poverty

Poverty is now widely recognized as being a multidimensional phenomenon. The World Bank’s *World Development Report 2000/2001* identifies the following dimensions: income; health and education; vulnerability; and voicelessness and powerlessness (World Bank, 2001). CSLS (2003) also acknowledges the extension of the concept of poverty beyond material deprivation, and provides a literature review of definitions and measurement of poverty. If the focus of most of the literature has been on income poverty, it is largely due to the relative ease of measuring income. The World Bank “poverty lines” of \$1 and \$2 per day,<sup>9</sup> along with national consumption surveys, are convenient tools to track the evolution of poverty. To complement income poverty indicators, many countries have

<sup>8</sup> See Aron (2000) for a review of the evidence linking growth and institutions.

developed an “Unsatisfied Basic Needs” (UBNs) method. These poverty indicators are based, for example, on characteristics of dwellings.<sup>10</sup>

Even with indicators of poverty going beyond income, the concept of poverty is still not broad enough. Reducing the measurement of poverty to material measures raises questions about whether true poverty is being accurately captured. It can lead to ill-conceived policies simply because important dimensions are excluded, as documented in Narayan et al. (2000). Based on their analysis of poverty, as voiced by the poor, the focus of this paper is on four dimensions of poverty: material well-being; psychological well-being; access to basic infrastructure; and capacity to manage assets (physical/human/social/environmental).

### Productivity

Productivity is the ratio of output to input. This definition can be applied in a relatively straightforward manner at the aggregate and industry levels. However, at the micro level – for organizations whose output is difficult to measure, or for individual workers – the definition of productivity is less straightforward. For instance, Berman (1998:5), in the context of public and non-profit organizations, defines productivity “as the effective and efficient use of resources to achieve outcomes.” This definition involves the distinction between outputs (the immediate consequence of an activity) and outcomes (the ultimate goal of the activity). Effec-

tiveness is concerned with the extent to which outcomes are reached and efficiency is more focused on outputs.

Underlying sources of productivity, or the “determinants” of productivity, have been studied in an applied perspective by Denison (1972, reproduced in NRC, 1979:149). The productivity determinants he lists are: resource allocation; economies of scale; knowledge; transaction cost with government; legal and human environment; intensity of resource use; flexibility of labour; and other determinants (such as competitive pressure, and management quality).<sup>11</sup> It can be observed that all of these determinants are closely related to institutions, further illustrating the link between the two.

Measurement problems arise at both the macro and micro levels. In both cases, issues revolve around the problem of pricing outputs when there is no market price for them, as for instance in activities done within households and in the non-profit and governmental service sectors. These sectors could indeed seem highly unproductive as they use inputs (mostly labour) for which a monetary cost is clearly defined, whereas the monetary value of the output is difficult to estimate.<sup>12</sup>

If non-market outputs and outcomes are excluded from productivity analysis because of measurement problems, misleading conclusions may be reached. A careful analysis of development strategies has to be done when they involve market and non-market outcomes. In the eco-

---

9 These amounts are based on U.S. dollars at purchasing power parity exchange rates. See World Bank (2001:17) for further details.

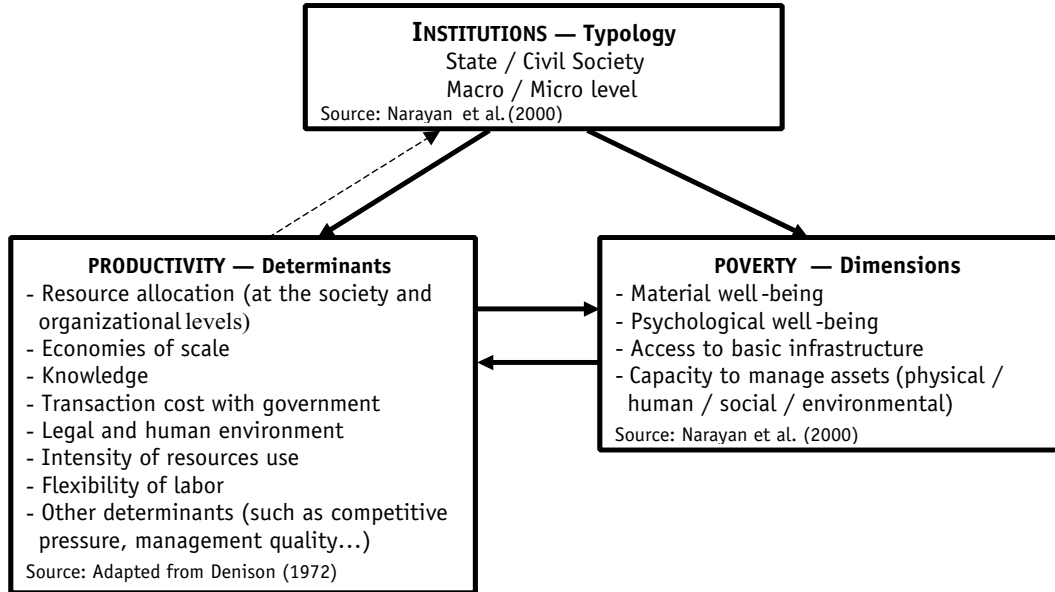
10 See the unabridged version of this paper, INEI (1994) and Herrera (2002) for more on Peruvian UBNs.

11 It is important to note that Denison (1972) used these drivers to explain measured total factor productivity (i.e. the part of output growth not accounted for by growth in labour, human capital and physical capital), rather than labour productivity. Obviously capital intensity drives labour productivity; but these other determinants also drive labour productivity through their effect on total factor productivity. Some categories in this list of determinants have been merged from the original list of Denison (1972).

12 This problem is discussed at the macro level in NRC (1979) and OECD (2001a). At the micro level, the same problems are faced, but specific indicators of outcomes may be developed as surrogates to monetary values (Berman, 1998). Some attempts to deal with the difficulties of non-market productivity measures are discussed in OECD (1997 and 2001b), while OECD (1998) reviews experiences in various OECD countries in dealing with the evaluation of non-market outcomes.

**Chart 1**

**The Institutions - Productivity - Poverty Triangle**



economic literature, the dominant focus on monetary values of market activities often leads to growth strategies that exclude non-market activities, even if no proper analysis of their real productivity has been conducted. This article is an attempt to move beyond this methodological myopia, by examining the case of a Peruvian community-based organization and making qualitative observations on the individual productivity of the workers involved with this organization.

**The Framework of Analysis**

Chart 1 summarizes the framework of analysis used in this research. The arrows from the institutions box to the productivity and poverty boxes reflect the influence institutions have on them, as documented, among others, by Aron (2000) and Narayan et al. (2000), respectively. The “two-way relationship”, or virtuous circle, between productivity and poverty is discussed in CSLS (2003:33 and 63) and in Sharpe, St-Hilaire and Banting (2002). If increased productivity produces, among other things, an easier

access to material goods (through higher incomes and/or lower prices) and therefore reduces poverty, a reduced poverty level provides a better human environment, favoring productivity. Rodrik (2002) even extends this interrelationship, or feedback effect, to productivity (growth) and institutions. Indeed, as the society gets better off, institutions are reinforced through access to more resources.

The empirical literature on the link between micro-level institutions and poverty and productivity is very limited. There are however a few studies dealing directly with this topic, notably CEPAL (1995) and Donnelly-Roark, Ouedraogo and Ye (2001). CEPAL presents a series of productivity-enhancement initiatives in poor urban areas of Jamaica. These initiatives, such as credit and assistance for micro businesses and professional training programs are all presented as being rooted in local micro-level institutions, with the goal of developing productive activities. Donnelly-Roark, Ouedraogo and Ye focus on the role of micro-level institutions (called

“Local Level Institutions”, LLI) to reduce poverty. They study villages and households in Burkina Faso and are able to show that high quality LLIs reduce poverty incidence. The main contribution of this article is to establish a link between micro-level institutions and poverty, accompanied by an analysis of *why* and *how* these institutions are increasing productivity for the profit of the poor.<sup>13</sup>

### **The Study of *El Comedor* “Niños Menesterosos”**

The word *comedor* in Spanish means dining room. It can also mean an eatery, or small working class restaurant when used with the adjective *popular*. As they became more common in Latin America, the word *comedor* alone started to also designate a *comedor popular*. As the main rationale to create a *comedor* is to pool cooking resources, the name “community kitchen” (or “communal kitchen”) has been used in English to describe this type of organization. However, these expressions do not convey the idea of a common *eating* location.

*Comedores* are institutions, and not simply organizations, because they establish through their existence and actions a set of significant practices that has a multidimensional impact, beyond what a simple “subsidized restaurant for the poor” would have. Garrett (2001) provides evidence of the multidimensional goals and achievements of *comedores* in Peru, a country where they thrive. First, of course, there is the daily production of meals, for families or children only (in the case of *comedores infantiles*, or children’s *comedores*). Second, there is the training of staff in cooking and management, which empowers the women involved. Third, through operative and institutional responsibilities, women develop a leadership role with

little equivalent in their society. Spin-off effects of these achievements are the strengthening of social networks, the development of new productive activities beyond food services and the promotion of power balance between genders.

The literature on *comedores* is limited: see Garrett (2001), Kamioka (2001), Linkogle (1998) and the unabridged version of this paper. It fully recognizes the multidimensional aspects of *comedores*, their role as micro-level institutions and their value in fighting poverty. The missing element in the current literature on *comedores*, however, is the *productivity* role at the micro level, and how progress on the different poverty dimensions can be achieved through this role in improving the productivity of individuals and the efficiency with which some goods and services can be produced. In our analysis of one *comedor*, we use the framework of analysis described above to explain how the institutional role of *comedores* reduces poverty by improving the productive capacity of individuals and by allowing for the realization of economies of scale in the production of some goods and services.

### **General Context**

Poverty in Peru is well documented, both in terms of GDP per capita and UBNs.<sup>14</sup> In Puente Piedra, the district of Lima where the *comedor* studied in this article is located, the percentage of households having all basic needs satisfied is only 41 per cent, compared to 70 per cent for Lima as a whole (INEL, 1993). There are no specific poverty data for Laderas de Chillón, one of the five wards of Puente Piedra, where the *comedor* is located. It is however probably the poorest part of Puente Piedra, due to its difficult access and its unfriendly environment of dry rocky

13 For two Peruvian studies on poverty and productivity at the micro-level, see Pollitt, Jacoby and Cueto (1998) and INEI (2000).

14 See, for instance, JBIC (2001), Herrera (2002) and the unabridged version of this paper.

hills. Laderas de Chillón is rapidly growing because of the rural exodus.

In Laderas de Chillón, the institutions described by Klein (2003), namely the market, firms and government, can barely be identified, except for the market, which is most visible along the main (gravel) street where small shops and street vendors sell basic products. The government operates a school, which is the biggest building in the area, where primary students go to class during the mornings and secondary students during the afternoons. A large water tank and a small health clinic are the only other tokens of the government presence. Formal firms are nowhere to be found, so when Klein says that they “spread best practices and productive jobs to areas where the poor live” a substantial amount of patience, or illusion, would be required before observing the spread. Two types of community-based organizations (CBOs) are active in Laderas de Chillón: churches and *comedores*. Some international donor associations also have some activities, usually through churches.

The author spent two weeks in Laderas de Chillón in August 2001 and returned three times in May 2003 to observe and interview the women of one *comedor*, the *comedor* “Niños Menesterosos”. This study is based on internal documents of the *comedor* and notes and observations made during these field trips to Laderas de Chillón. Informal interviews were conducted with the president of the *comedor*, its officials and working women.<sup>15</sup>

Since the establishment of the *Comedor Niños Menesterosos* in 1989, when breakfast was served to 20 children, its activities have grown and diversified. Table 2 presents each activity, with an estimation of the number and frequency of

output deliveries. The target group to which the activity is aimed and comments on the activities are also provided.

Each day two male workers bake the bread for the day,<sup>16</sup> two workers prepare the breakfast, six workers are in charge of the lunch, and three workers serve food. The educational activities are conducted under the supervision of workers paid by the government, but the *comedor* provides the space and supervision. One vendor stays all day at the snack bar, selling sweets, bread and small items. Voluntary teams carry on special projects.

There is a core group of five officials in the *comedor*, which supervises all the activities, manages the *comedor* and is in charge of relations with other CBOs and NGOs. Employment in this core group is long-term, unlike that of workers in the *comedor*. These latter workers, always mothers of children in need, work in the *comedor* for periods of two to three months. As a rule, the *comedor* hires socially isolated women in search of work. They are paid in kind for their work: by meals at the *comedor* for themselves and their children; through training as cooks, in retail sales, service and child supervision; and by integration in the community network. After three months, however, a worker has to leave the *comedor* to let another woman benefit from the experience. Between January and May 2003, 77 women had the opportunity to work at the *comedor*. It is estimated that between 2,000 and 3,000 families have eaten and worked at the *comedor* since 1992.

The activities of the *comedor* rely on a mix of self-generated revenues, local support, in-kind help from the government and international support (channeled through the parish and the Spanish group *Asociación Laderas*).<sup>17</sup> The Peruvian

15 See the unabridged version for more methodological details on the history of this *comedor*.

16 These male workers are young adults, sons of women involved in the *comedor*. Except for the bakery, all workers are women.

17 *Asociación Laderas* is an international donor association with activities in Laderas de Chillón. See Pastoral Universitaria de Granada (2004) for more information on this organization.



**Table 2**

**Official Activities of the Comedor Niños Menesterosos in Lima, Peru in 2003**

	Number and frequency of output deliveries	Target group	Comments
Breakfast	110/day, 6 days/week	8-16 years old	Each individual meal is sold at 1 PEN. The parish pays for approximately 50% of the meals.
Lunch	220/day, 6 days/week 140/day, 6 days/week	8-16 years old 6 months-7 years old	
Bakery	800 buns/day, 6 days/week	300 for the <i>comedor</i> 500 for the public	Three women sell the bread for a daily profit of 3 PEN each (1-2 hours of work).
Kindergarten	16-20 children 7:00AM-6:00PM school days	6 months – 2 years old	A Peruvian government program provides the salary for the teachers involved in these two activities.
Pre-school	78 children 8:00AM-12:00PM school days	3-5 years old	
Snack bar	Open 6 days/week	Neighborhood	Generates 15 PEN / week
Special food projects	Various	Neighborhood District market	During the fruits harvest periods, jam is made for retail sales. During the Christmas period, special bread is baked.
Handicraft	Various	District market Occasional visitor	Traditional Inca colors bags. Plastic pearl jewelry for municipal festive events.
Spanish lessons	Various	Newly arrived aboriginal Quechua speaking women	

Note: To put the numbers in perspective, one Peru Nuevo Sol (PEN), the Peruvian currency, was worth U.S.\$0.28 or US\$1 = 3.47 PEN in 2003. The official monthly minimum wage in Peru was 410 PEN in 2000. This wage is not enforced in the informal economy.

government, through a national program of food assistance, makes some in-kind contributions. It also provided the land on which the building was built, with international donor funds. Other contributions of the government are salaries for teachers and tax exempt status. As all workers are volunteers or are paid in kind, the only out-of-pocket expenses are the purchase of food and utilities. Overall, however, the *comedor* relies highly on CBO and NGO contributions. These contributions amount to a monthly subsidy of approximately \$1,500 U.S. With 470 meals served daily, 27 days per months, this comes to a subsidy of less than \$0.12 U.S. per meal.

With ten other *comedores* in Laderas de Chillón, food counters and other rudimentary restaurants, there are certainly alternative providers of the services offered by the *Comedor Niños Menesterosos*. However, these alternative providers sell at higher prices: 1.5 PEN for a meal from other *comedores* (that work without subsidies from CBOs and NGOs, but with the same in-kind support from the government) and 3.5 PEN from restaurants. The *comedor* of this

study is however unique because it has the mandate to reach the deprived children (*Niños Menesterosos*) of Laderas de Chillón. Families with higher income avoid sending their children there if they can, because of the “poor” image associated with the *comedor*.

This environment allows rudimentary accountability measures to be established. Cost, quality and quantity of meals is straightforward to compare with alternative providers, and the officials of the *comedor* know that if they are not fulfilling their mandate correctly, complaints to the parish could cut this source of support.

**Effects of the Comedor on Productivity and Poverty**

No specific productivity and poverty measures have been developed for this study, because the goal is not to obtain a set of precise measures. It is rather to argue that improvements in individual productivity and significant local poverty reduction would be quantified if adequate measures were developed. Indicators of productivity and poverty, along the determi-

nants and dimensions identified, could be relatively straightforward to develop. For productivity, differences in skills and earnings between households participating and not participating in the *comedor* could provide data on individual productivity gains. For poverty, changes along the four dimensions could be measured by observing the state of women before and after their work in the *comedor*. A series of indicators (such as income, self-confidence, feeling of empowerment and skills) could be used to measure the progress made in poverty reduction.

Our hypothesis is that the existence of the *comedor* reduces multidimensional poverty through many different channels. First, the skills imparted to workers over the course of their tenure at the *comedor* increase their productivity, thus making them more employable and giving them greater earning potential. Also, this higher productivity at the level of individuals filters up to higher productivity at the aggregate level. This in turn leads to the poverty reduction benefits identified in macro-level studies, through lowering average prices and increasing average incomes. Second, there is the direct effect of the *comedor* on poverty in terms of helping to satisfy the basic needs of customers and the basic and multidimensional needs of employees, thus reducing poverty. Third, these direct effects on poverty also have an effect on productivity at the level of the individual. The availability of subsidized affordable meals and education provides those served by the *comedor* with better health and skills and therefore the means to become employed in more productive jobs, again leading to higher wages and eventually to the aggregate poverty reduction effects. Finally, the move away from household-based production of the services provided by the *comedor* means that economies of scale can be realized, i.e. meals can be produced more efficiently in

large batches, as is done at the *comedor*. This shift away from low-productivity household production and towards higher-productivity *comedor* production means that economy-wide productivity is higher, again leading to aggregate poverty reduction effects through productivity at the macro level.

More specifically, we can observe in a qualitative way how each productivity determinant, as defined in Chart 1, in the context of the *comedor*, a micro-level institution, has a positive impact on poverty. The productivity determinants are inspired from Denison (1972), who developed this classification to better understand a country's source of output growth. Despite the fact that this classification was originally meant to be used at a macro (country) level, productivity gains are achieved at the individual and firm level before being aggregated to the industry and overall economy levels. Equivalent micro-level productivity determinants can therefore be defined from macro-level determinants. As Denison's productivity determinants are also meaningful at the micro level, we use them for the analysis of the *comedor*. A strong indication that macro productivity determinants can be used at the micro level is the fact that Denison mentions "quality of management" as one example of "other determinants" of productivity (Denison, 1972:24). Clearly, "quality of management" has to be observed at the firm level before translating into productivity gains at the macro level.

Table 3 summarizes the impacts on the poverty dimensions that the increased productivity of the *comedor*, its employees and its customers has on people in Laderas de Chillón. A "+" sign indicates the positive impact of a productivity determinant on a poverty dimension. A "=" sign means that no direct impact is expected on the poverty dimension. A discussion and justification of the content of Table 3 can be found in the unabridged version of the paper, and some brief examples follow.

**Table 3**

**Summary Matrix of Potential Institutional Productivity Impacts on Poverty Dimensions**

Productivity determinant linked to the institution ( <i>comedor</i> )	Poverty Dimensions			
	Material well-being	Psychological well-being	Access to basic infrastructure	Capacity to manage assets
Resource allocation	+	+	+	+
Economies of scale	+	=	+	=
Knowledge	=	+	=	+
Transaction cost with the government	+	+	=	+
Legal/human environment	=	+	=	+
Intensity of resource use	+	+	=	+
Flexibility of labor	=	+	=	+
Competition and management	+	+	=	+

Note: Productivity determinants are adapted from Denison (1972).

- Resource allocation, economies of scale, intensity of resource use: the *comedor* can allocate labour efficiently, in terms of assigning the various tasks, such as serving food and preparing lunch, to those most suited to each. The *comedor* also allows for goods and services to be produced on a larger scale than would be possible with household production. This improves material well-being through the availability of affordable goods and services and improves psychological well-being through utilizing the skills of workers as fully as possible. On an individual level, basic infrastructure, such as access to water, becomes available through the resources of the *comedor*, and the allocation of workers to management roles as they accumulate enough experience provides them with the capacity to manage other types of assets.
- Knowledge, flexibility of labour, transaction cost with government: experience working at the *comedor* improves these three productivity drivers at the level of the individual, and individual knowledge and ability to transact with the government are also improved for customers of the *comedor*. Knowledge is assumed to improve psychological well-being in a direct and straightforward way. However,

material well-being is not directly affected by knowledge, but is only indirectly affected through the application of that knowledge in acquiring paid work.

In general, the *comedor*, by allowing the productivity determinants to become operational in an institutional context, leads to many positive impacts on the poverty dimensions.

### Questions Raised by the Analysis

In Puente Piedra, and even more in Laderas de Chillón, the lack of institutions is striking. Equally remarkable is the productive work of micro-level institutions. Their presence induces increases in productivity for the society's poorest and this has direct positive impacts on the four dimensions of poverty. We discuss now three questions that our analysis raises. First, to what extent does the lack of more precise measurement affect the conclusions we can draw? Second, what role should the micro-level institutions have with respect to the macro-level institutions in poverty reduction strategies? And third, can productivity and growth become the words of the poor?

### Measurement of Outcomes

One obvious limit of the analysis summarized in Table 3, on the impact of productivity deter-

minants on poverty dimensions, is the lack of precise measurement. How much is poverty reduced in each of the dimensions? How large are the productivity gains achieved through each determinant? Many questions could be asked and no quantified answer can be provided at this stage. This lack of precise measurement could limit the support and funding of *comedores populares* in poverty reduction strategies, because governments and international institutions need numerical figures to justify their program spending. However, reducing a program to its measurable and actually measured outputs in making funding decisions is a threat that can be especially damaging to the implementation of poverty reduction programs.

Poverty is real, and its different dimensions, although sometimes difficult to track with precise measures, are now recognized in the literature. The challenge is therefore to have the courage to invest in strategies with results that may be difficult to measure, as opposed to taking no action at all. This does not imply that poverty reduction programs should be less accountable or that there should be no attempts to measure the outcomes of these programs, but simply that practices that can be shown to have the potential for some degree of effectiveness, such as the *comedor's* practices described in this study, should not be deprived of funding solely for a lack of precise measurement. It is also important to note that, as discussed briefly above, it may be possible to develop measurement instruments that are capable of indicating, to at least some extent, the productivity gains and poverty reduction associated with *comedores populares*.

### **Micro- and Macro-Level Institutions in Poverty Reduction Strategies**

The ties of institutions with growth and poverty are recognized, but often with “macro institutions” in mind, rather than with all institutions. Our study shows the impact of a micro institution

and documents the weakness of macro institutions in Laderas de Chillón and the limited presence there of organizations representing these institutions. This situation is somewhat similar to the statement by Narayan et al. (2000) that “formal [macro, state] institutions are largely ineffective and irrelevant to the lives of the poor.” Our less drastic conclusion is that macro institutions are essential for the society, but to address the multidimensional problem of poverty, multidimensional strategies are required, in terms of considering micro institutions as well. CBOs such as the *comedor* have an important impact on poverty dimensions where macro institutions may perhaps be less effective, for example on the “psychological well-being” and “capacity to manage assets” dimensions. Macro institutions are more effective in increasing access to infrastructure.

The way in which different types of institutions complement each other in their fight against poverty should be better recognized and researched. The optimal mix of institutional strategies to reduce poverty has yet to be found. Also, how to best channel adequate support to micro-level institutions is an urgent theme to explore, to ensure that they do not need to rely on uncertain funding. As small investments can have significant multidimensional effects, developing stable financing structures is a key to successful poverty reduction strategies.

### **Productivity and Growth: Words of the Poor**

The gap between the voice of the poor and the dominant poverty reduction strategies is wide. However, when the words “institutions”, “productivity” and “poverty” are analyzed in their broad and complex meaning, they suddenly appear to be more relevant to the reality of the poor. “Productivity” is indeed what poor people need to get out of poverty. And they therefore need institutions that support them in becoming productive. This article has documented the

potential of a specific *comedor*, a micro-level institution, to increase the productivity of many poor women in Laderas de Chillón, helping them to take some steps out of the misery in which many of them live.

Growth objectives can fully be compatible with the reality of the poor if growth is not reduced to one dimension, i.e. GDP per capita. As soon as the words “productivity” and “growth” are used in their inclusive sense, the gap between the macro- and micro-level realities starts to vanish.

## Conclusion

We have reviewed in this article growth strategies and their emphasis on productivity and institutions in poverty reduction strategies. We have extended the interpretation of these strategies to include micro-level institutions and have taken a multidimensional approach to defining poverty. This established a framework of analysis in which a community-based organization, a Peruvian *comedor*, was analyzed. The many positive productivity impacts on poverty related to the *comedor* have been analyzed. In a context where support from macro and governmental institutions is extremely limited, the efficiency of the *comedor* in its potential effectiveness in reducing poverty has been established.

Although measurement issues could reduce the appeal of strategies based on micro-level institutions, these problems alone should not prevent potentially effective strategies being put in place. The optimal mix between macro and micro institutions needs to be found, where growth and productivity relate to the reality of the poor, and have an impact on the four poverty dimensions that the poor know too well. It is only when such a multidimensional strategy is put in place that the voice of the poor will start using the language of the rich.

## References

- Aron, J. (2000) “Growth and Institutions: A Review of the Evidence,” *The World Bank Research Observer*, Volume 15, Number 1, pp. 99-135.
- Berman, E.M. (1998) *Productivity in Public and Non-profit Organizations: Strategies and Techniques*, (Thousand Oaks:Sage Publications).
- Carlson, B. (ed.) (1999) *Social dimensions of economic development and productivity: inequality and social performance*, Restructuring and Competitiveness Network, Division of Production, Productivity and Development, Santiago de Chili, ECLAC.
- Center for the Study of Living Standards (2003) *Productivity Growth and Poverty Reduction in Developing Countries*,” Background Paper prepared for the *2004 World Employment Report* of the International Labour Organization, CSLS Research Report 2003-06, (Ottawa).
- Comisión Económica Para América Latina y el Caribe (1995) *Productividad de los Pobres Rurales y Urbanos*, Cuaderno de la CEPAL, 72, Santiago de Chile.
- Dagdeviren, R., R. van der Hoeven and J. Weeks (2002) “Poverty Reduction with Growth and Redistribution,” *Development and Change*, Volume 33, Number 3, pp. 383-412.
- Denison, E.F. (1972) “Classification of sources of growth,” *Review of Income and Wealth*, Volume 18, Number 1, pp. 1-25.
- Donnelly-Roark, P., K. Ouedraogo and X. Ye (2001) *Can Local Institutions reduce poverty? Rural Decentralization in Burkina Faso*, Policy Research Working Paper 2677, Africa Region, Environment and Social Development Unit, (Washington, D.C.:World Bank).
- Garrett, J.L. (2001) *Comedores Populares: Lessons For Urban Programming From Peruvian Community Kitchens*, (Washington:International Food Policy Research Institute).
- Herrera, J. (2002) *La Pobreza en el Perú – Una visión departamental*, (Lima:Instituto Nacional de Estadística e Informática).
- Instituto Nacional de Estadística e Informática (1993) *Información Socio Demográfica - Consulta por Áreas Geográficas (UBIGEO)*, electronic database, [www.inei.gob.pe](http://www.inei.gob.pe).
- Instituto Nacional de Estadística e Informática (1994) *Perú: Mapa de Necesidades Básicas Insatisfechas de los Hogares A Nivel Distrital*, electronic publication, [www.inei.gob.pe/biblioineipub/bancopub/Est/Lib0068/n00.htm](http://www.inei.gob.pe/biblioineipub/bancopub/Est/Lib0068/n00.htm).
- Instituto Nacional de Estadística e Informática (2000) *Impacto de los Servicios Públicos de Salud sobre la Productividad y pobreza – Resultados de la Encuesta Nacional de Hogares 1997-1998*, Lima.

- Japan Bank for International Cooperation (2001) *Poverty Profile – Executive Summary Republic of Peru*, Tokyo.
- Jones, C.I. (2002) *Introduction to Economic Growth*, second edition, (New York:W.W. Norton).
- Jorgenson, D.W. (1995) *Productivity – Volume 1 Post-war U.S. Economic Growth*, (Cambridge:The MIT Press).
- Kamioka, N. (2001) *Women's Voluntary Groups in Lima, Peru – Comedores Populares*, Prepared for delivery at the 2001 meeting of the Latin American Studies Association, <http://lasa.international.pitt.edu/Tracks2001/ECO.htm>.
- Klaassen, L.H., L. M. Koyck and H.J. Witteveen, eds. (1959) *Jan Tinbergen – Selected Papers*, (Amsterdam:North-Holland Publishing).
- Klein, M. (2003) *Ways Out of Poverty, Diffusing Best Practices and Creating Capabilities – Perspectives on Policies for Poverty Reduction*, (Washington, D.C.:World Bank).
- Linkogle, S. (1998) “Soya, Culture and International Food Aid: The Case of a Nicaraguan Communal Kitchen,” *Bulletin of Latin American Research*, Volume 17, Number 1, pp. 93-103.
- Narayan, D., R. Patel, L. Schafft, A. Rademacher and S. Koch-Schulte (2000) *Can Anyone Hear Us? Voices of the Poor series*, (New York and Washington, D.C.:Oxford University Press and World Bank).
- National Research Council (1979) *Measurement and Interpretation of Productivity*, Washington.
- North, D. C. (1990) *Institutions, Institutional Change and Economic Performance*, (Cambridge:Cambridge University Press).
- North, D. C. (1997) *The Contribution of the New Institutional Economics to an Understanding of the Transition Problem*, WIDER Annual Lectures 1, (Helsinki:United Nations University, World Institute for Development Economics Research).
- Organization for Economic Cooperation and Development (1997) *Productivity measurement for non-market services*, STD/NA(97)14, Paris.
- Organization for Economic Cooperation and Development (1998) *Report of 1998 Annual OECD National Accounts Meeting*, STD/NA(98)Main papers, Paris.
- Organization for Economic Cooperation and Development (2001a) *Measuring Productivity – Measurement of Aggregate and Industry-Level Productivity Growth*, OECD Manual, Paris.
- Organization for Economic Cooperation and Development (2001b) *Non-Market Output – Recent Work By The Australian Bureau Of Statistics*, STD/NA/RD(2000)04, Paris.
- Pastoral Universitaria de Granada (2004) *Misiones – Proyecto Laderas en el Perú*, <http://www.ugr.es/~delepast/laderas.htm>.
- Pineau, P.-O. (2003) *International Trade Agreements and the Peruvian Electricity Sector*, Documento de Trabajo No 13, Oficina de Estudios Económicos, Lima, Organismo Supervisor de la Inversión en Energía (OSINERG).
- Pollitt, E., E. Jacoby and S. Cueto (1998) “Evaluation of a School Breakfast Program in Peru,” in *Nutrition, Health and Child Development* (Washington, D.C.:PAHO/World Bank).
- Rodrik, D. (2002) *Institutions, Integration and Geography – In Search of the Deep Determinants of Economic Growth*, introduction to an edited volume of analytic growth narratives. [www.ksg.harvard.edu/cbg/research/rodrik.htm](http://www.ksg.harvard.edu/cbg/research/rodrik.htm).
- Sharpe, A. (2002) “Productivity Concepts, Trends and Prospects: An Overview,” in Sharpe, St-Hilaire and Banting (2002).
- Sharpe, A., F. St-Hilaire and K. Banting (eds.) (2002) *Towards a Social Understanding of Productivity: Second Issue of the Review of Economic Performance and Social Progress*, (Ottawa and Montreal:Centre for the Study of Living Standards, Institute for Research on Public Policy and McGill-Queens University Press).
- Solow, R.M. (1970) *Growth Theory – An Exposition*, (Oxford:Clarendon Press).
- Thompson, J.L. (2002) “The world of the social entrepreneur,” *The International Journal of Public Sector Management*, Volume 15, Number 4/5, pp. 412-431.
- Townsend, P. and D. Gordon (eds.) (2002) *World Poverty: New Policies to Defeat an Old Enemy*, (Bristol:The Policy Press).
- Wilson, F., N. Kanji and E. Braathen (eds.) (2001) *Poverty reduction: what role for the state in today's globalized economy?*, (London:Zed Books).
- World Bank (2001) *World Development Report 2000/2001: Attacking Poverty*, (New York:Oxford University Press).
- World Bank (2002) *Globalization, Growth, and Poverty: Building An Inclusive World Economy*, (New York and Washington, D.C.:Oxford University Press and World Bank).