February 20, 1986

TO: William C. Doherty, Jr., Executive Director

FROM: Richard Hough, Agrarian Union Development Department

SUBJECT: Visit to Ecuador

I am devoting this memo to our new campesino organization project in and around San Lorenzo, Ecuador. I spent five days in San Lorenzo during my recent visit, and I now have a better feel or sense as to what we are about with this new OPG project -- what the realities are and the major problems we face. Pardon the length of the memo, but I think it is important to commit my impressions to writing since the actual conditions on the project are not as yet fully understood or appreciated.

Brief Project Description. The principal purpose of the project is to support the development and expansion of La Federación de Trabajadores Agrícolas Autónomos NorteOccidente de Esmeraldas (FETANE), the major campesino organization in this province. (The other significant campesino federation in Esmeraldas, OCAME, is somewhat smaller, considerably to the Left of FETANE and probably penetrated by Communist groups in the province.) FETANE at present has about 800 members, who are organized in 22 associations located in outlying communities around San Lorenzo. Of these 22 associations, eight have been selected as the pilot sites for our project. There are approximately 250 beneficiaries at present in these eight associations. All of the associations have their persona jurídica. The beneficiaries are small, poor farmers, ("marginados").
The core of the project is the delivery of a package of technical and economic services by FETANE -- with AIFLD support -- to the participating members of the associations. The services will include production credit for fertilizer, pesticides, hand tools and seeds, technical assistance in production and marketing, crop insurance and a labor subsidy (to assure that the beneficiary will continue to cultivate his parcel when cash is scarce for consumption). Each technology package will vary in relation to the agronomic requirements of the different crops under cultivation within the project; and every beneficiary to be eligible for the production credit will have to have previously participated in the technical assistance/demonstration plot program at the association level where these various technology packages have been introduced and applied.

The overall potential membership in FETANE and its associations through the project was estimated at approximately 2000 heads of household. The expectation is that the credit program will be a strong incentive for participation, and that once begun will trigger a substantial jump in members/beneficiaries. Similarly, it is expected that FETANE training programs in sewing at the local level, using already procured sewing machines, will bring in additional members under pressure from their wives.

The leadership of FETANE has not relied wholly on AIFLD support in the development of this project. It has also sought the financial support of the government rural development agency, FODERUMA. It has already received some assistance from FODERUMA in carrying out the recently completed three month training program of project staff. Apparently, FETANE will also receive about 50 million sucrés from FODERUMA for the project, of which at least 30 million sucrés will be for short-term production credit. This contribution will be additive to the joint AIFLD/Banco Nacional de Fomento (BNF) project credit fund of $350,000, for which the convenio should be signed in the near future. Both of these credit sources will be needed since the original calculation of credit requirements per capita has to be adjusted upward given increases in the costs of production inputs. However, although the supplemental support from FODERUMA is certainly welcome, it does create a serious problem which will have to be resolved: i.e. FODERUMA lends at concessional rates of interest -- for the beneficiaries on this project, 11% -- while AIFLD/BNF are bound by the language of the OPG to lend at market rates of interest, which at present would be 18 percent.

The physical setting of the project is at best difficult. Of the present eight associations, four are reached by water, 3 by rail (when the train is running), and one by road (when passable). This poor infrastructure, as well as the distances and isolation involved, will no doubt compound the difficulties of making the delivery system of production services and inputs, as well as the marketing system, work effectively.
To mitigate the physical and logistical problems, AIFLD/FETANE will install and maintain a radio communications system, linking each of the associations to project headquarters in San Lorenzo. This should make the project more manageable, and particularly, ease the difficulties of coordination, supervision, and timely problem-solving.

A project headquarters and staff in San Lorenzo, as well as a small store which principally stocks production inputs, are now in place under the auspices of FETANE. An Ecuadorian project manager, Hernán Rivadeneira, has been functioning for some months now in San Lorenzo. Mr. Rivadeneira who is a credentialed Agronomist is the counterpart of Delmiro Cortez, the President of FETANE, on the project. The AIFLD Rural Development Officer (RDO) assigned to the OPG, Mr. Armando Votto Paz, has done an outstanding job in moving the project forward through the planning and training stages, both in Quito and San Lorenzo. Indeed, the strongest aspect of this difficult project thus far has been its human resources. Under the wise direction of Al Moore, the CPD, the performance of the AIFLD staff has been exemplary. Similarly, the quality of leadership in FETANE has been a pleasant surprise. Having three or four capable and responsible individuals in key positions in FETANE should hold us in good stead in what are bound to be some trying days ahead.

Expanding the project to include another major site such as Manabi, as was contemplated in the OPG, has been held in abeyance, at least until the Fall of this year. A decision to go ahead, or not, at a second project site will be made after a number of unsettled political questions fall into place, at least to the extent necessary to make some intelligent choices. In reality, this hiatus is probably a blessing in disguise in that the problems of mounting the San Lorenzo phase of the OPG -- for example, nurturing the credit, technical assistance and marketing components to the point where they have some momentum of their own -- will be quite sufficient to occupy fully the time and energies of the AIFLD support staff, particularly the RDO, for some months to come.

Project Status. Implementation should begin soon. The three month training program for FETANE personnel, e.g. activists, para-technicians and office staff, has been successfully completed. They appear ready to go. However, another group of about five agronomos need to be hired and trained in the near future to replace those who pulled out of the first training program.

There are some other loose ends of considerable importance that also must be wrapped up before the project can move to operational status. The radio communications system must be installed and tested. The Convenio between AIFLD and the BNF must be signed and a credit account established. In this regard, it will likely be necessary for the BNF to set-up a branch office of some sort in San Lorenzo so as to facilitate a reasonably efficient credit operation that will not put untoward burdens of travel, time and cash outlays on the project beneficiaries and/or FETANE staff.
In addition, a contract, or a firm agreement of some kind, will have to be worked out with the national railroad company to guarantee timely transport of the produce from the associations serviced by the railroad to San Lorenzo. This will likely have to be done by FETANE in Quito where the authority rests. At present, the local branch of the railroad company does not provide dependable service.

There are other components of the project that require action in the coming months: e.g. breaking ground for the building of a new, more ample FETANE/project headquarters on land donated by the local government; development of a plan for the utilization or replacement of the too large rice mill provided by FODERUMA; the carrying out of a much needed survey of land tenure conditions among the project beneficiaries; the development of a vigorous, continuing program of political education to go hand-in-glove with the intensive technical education being offered; beginning the training courses for the women; and obtaining persona juridica for the remaining FETANE associations. However, these items appear to be of a somewhat lesser order of importance right now, or less pressing, than the others also noted above.

Problems and Assets. The overarching problem of the project is its physical setting: i.e., the relative isolation of San Lorenzo from the rest of the country; the isolation of the associations from San Lorenzo and from each other; the underdeveloped character of the supporting infrastructure; a debilitating tropical climate, marked by heavy rainfall; and primitive public health conditions. These problems can be dealt with in specific finite ways, which is exactly what the project managers have been doing over the past six months or so, with the radio system, etc; but over the longer term, much will and energy, as well as encouragement, will be needed to cope with an unrelenting physical environment.

A further problem is the lack of experience in modern farming of the small, largely subsistence farmers involved in the project. Many of them simply have not been previously exposed at the farm level to technical assistance of any kind, and apparently more than a few are part-time wood cutters as well as cultivators. The point is that the project starts from a low base of productivity and knowledge among its primary producers. Mistakes will no doubt be made; containing and correcting them will be the challenge.

The assets, or the things we have going for us on the project, seem equally clear. First, the strong, credible leadership of FETANE has already been noted, as reflected in a number of ways, for example, the willingness to seek support from other sources. Capability also seems to go down to the association level where the potential for leadership and responsible participation appear to be surprisingly good.
Second, there are attractive market opportunities on an array of crops built into the project which hold out the possibility of respectable income generation from the first harvest season on. This could indeed be the decisive factor in whatever initial success we are able to achieve. The fact is that a substantial part of the market for food products -- plantains, rice, vegetables, peppers, etc -- in San Lorenzo with a population of 20-25 thousand, is serviced by imports from removed towns such as Esmeraldas, Ibarra and Santo Domingo de los Colorados. Given transportation costs alone, market prices are generally high. There appears to be little doubt among the local leaders of FETANE that with higher levels of production, reasonably decent quality control and reliable transport, the volume of produce of the project associations can be priced so as to take over a good bit of this San Lorenzo market -- the more so, if intermediaries can be eliminated and FETANE can develop practical ways to sell produce directly to the consumers.

Project Justification. No doubt, this project is "doable", that is, on our side, with the expenditure of a lot of energy, perseverance and with perceptive management in Quito and San Lorenzo. At this point, there is no other alternative but to accept the challenge and get on with the job. However, I suggest that we should ask the question of why we are doing the project? Did we blunder into it? Or was the selection of San Lorenzo and FETANE a stroke of tactical brilliance? I am not sure where I come out on this other than to restate the view that I would never have selected the primitive environs of San Lorenzo as the site for a project of this size. Ironically, the answer to the question will likely turn on political factors and future circumstances within CEOSL, the Ecuadorian national trade union confederation, which AIFLD has supported over the past years, that have little to do with FETANE and San Lorenzo.

However this may be, may I set out a rationale, after the fact, for this AIFLD activity in San Lorenzo which provides some strategic justification for our presence there.

AIFLD is not a "do good" development organization whose mission is to serve the "poorest of the poor". If that was the case, there would be ample justification *prima facie* for the San Lorenzo enterprise. Manifestly for us, there has to be a largely political rationale ultimately linked to the development or enhancement of a democratic national trade union movement that makes sense, or gives meaning, to the specific projects we choose to support.

In the case of this rural project, there would appear to be three related arguments that are reasonably persuasive in providing this rationale for AIFLD support. First, if the project can be implemented with proximate success, and we are able to accumulate a core of hard-won
experience, the model can be replicated no doubt with considerable positive political impact among campesino organizations in other provinces of Ecuador. This is of course contingent on the development of a national trade union scenario that becomes similarly positive and facilitative. However, the relative isolation of the project, which allows for experimentation and flexibility removed from usual outside political pressures, actually enhances the long term value of the model, specifically if we are able to reap the dividends of later demonstration and replication.

Second, the project provides a fine opportunity for AIFLD to blend together, almost from the proverbial tabula rasa, the positive trade-offs of economic services and democratic political development; in effect, the opportunity to promote the economic interests generated through growth and new income that inevitably will have to be politically represented and protected by a strong, concomitant growth of a democratic campesino federation. The potential for reinforcing, complementary relations between economic change and democratic institution-building, contrary to so much of the prevailing developmental and technical dogma of third world modernization, could indeed be developed quite dramatically in the San Lorenzo microcosm.

Third, given neglect by the government and the already considerable power of the extreme left in the area, this AIFLD project does provide a visible alternative to change, specifically the means for those campesino leaders now committed to democratic alternatives to ply effectively their principles and to build up an enduring constituency for them.

Last, if we can somehow pull off this project -- or achieve moderate success -- AIFLD's credibility with a still doubting AID is bound to go up manyfold.

RH: nw