Mike Verdu has reported on the highlights of the recent field trip to Bolivia and Ecuador (and Peru). I will limit myself to comments on the status of our OPG project in the northernmost hinterlands of Ecuador, in San Lorenzo — what I believe you have previously referred to as our "boat project". I spent the better part of a day reviewing the project in considerable detail with our project manager, Armando Votto Paz. A summary of this review is noted below. I should add that my comments should in some measure be discounted since I did not visit the project sites.

Need for Continuing Technical Assistance/Monitoring

In the short run as well as in the longer run (after AIFLD's role in the project terminates December 1989), there are requirements for continuing technical inputs and guidance on what is now a developed and diversified project. The short term requirements relate to oversight and direction of remaining activities such as finishing the construction of the Yuca processing plant, getting it into production with effective quality control procedures, training the plant staff, the first round of transportation and marketing of the finished product, as well as financial management of the cash transfers which will be involved. There are also other near term problems principally in the credit and legal fields which require continuous attention. An AIFLD technical and managerial presence is needed in San Lorenzo if not all the time, at least a couple of weeks a month, to work closely with the Executive Committee of FETANE and the project personnel in San Lorenzo and the agrarian communities until we can credibly terminate our role in the project in December.

Votto Paz spends about 15 days a month in San Lorenzo working with FETANE staff on project implementation. He appears to have excellent professional relations with this staff and knows the project in all its detail.
and problems. In terms of AIFLD carrying out its professional responsibilities on the project, of disengaging smoothly -- or of avoiding a major mistake or breakdown before we disengage -- it makes good sense to keep Armando on the job the balance of this year, to extend his contract through December. This will be my recommendation to the new Country/Regional Director. This is also clearly the view of the Chief of the Rural Development Office of the USAID.

Over the longer term, FETANE and its field staff, will continue to need technical assistance and education programs from outside sources in fields such as marketing and credit. AIFLD should facilitate this by soliciting modest resource transfers from the USAID. Such resources could be channeled to FETANE through an intermediary development organization such as the public sector agency, FUNDAGRO. Initial discussions with the USAID on this subject appear hopeful.

Status of the Yuca Processing Plant

This component of the overall project, which will end-up costing out at about $40,000, apparently is coming on line more or less on schedule. Construction and assembly of the facility have begun, and the inauguration of the plant is planned for around May 15. The cost-benefit calculus of the Yuca Plant continues to look good. The market for Yuca flour favors the supplier with no present effective competitor to the FETANE production, assuring prices well above the costs of production. The plant will operate at full or close to full capacity year around given sequential planting and the fact that there are now some 56 hectares under cultivation while it only takes about 30 hectares to break even on operational costs. The production technology is quite simple and the required levels of management and technical skills do not present major problems. All in all, the Yuca plant prospectively appears to be a profitable undertaking with the returns allowing repayment of the AIFLD loan, sufficient funds to cover the costs of operation and maintenance, and reasonable profit margins for the producers and processor.

Operational Problems

There are three such problems that merit brief mention in this summary. First, quality control measures in the storage and maintenance of the yuca flour previous to shipment to market need to be developed. In particular, air conditioners or fans must be installed and competently operated to protect the flour against excessive humidity and pest penetration. Second, the present transport capacity by water and surface to move the projected volume of Yuca flour from San Lorenzo to Guayaquil may well prove to be inadequate. Additional capacity, if only as backup, will have to be obtained. Third, there are a number of unresolved legal issues on the project, particularly in the vital land title area, which require the continuing attention of a lawyer. The project should not be without the services of an Ecuadoran lawyer for any appreciable period of time.

Other Aspects of the Project

The status of the credit, technical assistance and agricultural production components of the project are treated in detail in the project
manager's recent Quarterly Report and need not be repeated here. What should be highlighted, however, is the fact that this project has developed into quite an extended undertaking, and one which shows signs of considerable success. For example, the production credit program is now operating effectively in 13 of the affiliate agrarian communities, apparently with good results in terms of production and productivity and with promising pay-back ratios. The farmers who planted platano -- and followed the project's prescribed production technology package -- increased their income by at least 200 percent on this crop. Project outreach has also progressively been extended. For example, there are now five project agronomists living full-time in the agrarian communities, and providing extension services throughout the grid of member communities.

Other interesting aspects of the project include the fact that FETANE has had the fortitude to raise interest rates on production credit from 19 percent to 29 percent and to increase its technical assistance fee from 150 sucres to 650 sucres per month. FETANE also appears to have the credibility with its constituency to make these changes stick.

We will know more how successful this difficult project has been after the AIFLD Audit of the project in early summer and the full scale USAID Evaluation at the end of the year which is required by the project agreement. Suffice to say here: the apparent conditions that the project is healthy and progressing, and particularly that we will likely be able to phase-out our role on time, extracting ourselves gracefully without misunderstandings or major problems, come as pleasant surprises.

I would add that the major weakness of the project -- that it is removed from the mainstream of the democratic trade union movement in Ecuador, without political impact or influence beyond its own confines -- is perhaps also in need of some qualification. If I can believe what I am told, FETANE has grown in stature and influence not only in the San Lorenzo area but also in Quito where its reputation is being enhanced by its implementation of the AIFLD project. The extent that this is happening is reflected in the fact that Government agencies now tend to check directly with FETANE leadership on programs, events, problems, or what have you, in San Lorenzo rather than with their own local representatives or officials. Similarly, as I understand it, the Government has approached FETANE, as well as the USAID, BID and other PVOs with regard to the feasibility of putting together a seminar on rural development themes, using the success of the San Lorenzo project as the model. The seminar would take place in San Lorenzo, either just before or after the ceremonies inaugurating the yuca processing plant in middle May. Both the U.S. Ambassador and USAID Director are expected to attend the inauguration (though I rather doubt that either will stay overnight).