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ECUADOR: PRIVATE SECTOR COOPERATIVES  
AND INTEGRATED RURAL DEVELOPMENT

AID PROJECT IMPACT EVALUATION REPORT NO. 59

by

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TABLE OF CONTENTS

	<u>Page</u>
Preface.....	v
Summary.....	vii
Project Data Sheet.....	ix
Glossary of Abbreviations.....	xi
Map.....	xiii
1. Project Setting.....	1
2. Project Description.....	2
3. Project Impact: Findings and Analysis.....	2
3.1 AID and Cooperative Federations in Ecuador.....	3
3.1.1 Credit Unions.....	3
3.1.2 Agricultural Cooperatives.....	4
3.2 The Improved Rural Life Program.....	5
3.3 Agricultural Cooperatives and Integrated Rural Development.....	6
3.3.1 Improvements in Income and Quality of Life...	7
3.3.2 Demand for Multisectoral Services.....	8
3.3.3 Sequencing of Services.....	9
3.4 Credit Unions and Integrated Rural Development.....	10
3.5 Cooperative Management.....	11
3.6 Participation and the Cooperative Process.....	12
3.7 Capacity-Building: The Role of Education.....	12
3.8 Cooperatives Versus the Improved Rural Life Experience.....	13
3.9 Distribution of Benefits.....	14
3.10 Sustainability of Services.....	15
3.11 Impact on the Poor.....	15
4. Conclusions.....	16
5. Lessons Learned.....	17

## TABLE OF CONTENTS (cont.)

### Appendixes

- A. Photographs
- B. Statistical Tables
- C. Methodology and Small Farmer Survey, by Helen E. Soos and J. Jude Pansini
- D. AID and the Cooperative Movement in Ecuador, by Clemence J. Weber
- E. Improved Rural Life Activities, by Clemence J. Weber
- F. Analysis of Services Sought by Cooperatives, by Silvia Alvarez and Helen Soos
- G. Nonformal Education in the Cooperative Context, by Cesar A. Jaramillo L.
- H. Conflict Between Board Members, Managers, and the Membership: A Problem for Ecuadorean Cooperatives, by J. Jude Pansini
- I. Alternative Forms of Rural Organization: Cooperatives and Communes, by Silvia Alvarez
- J. Women and Cooperatives, by Silvia Alvarez and Victoria Dominguez
- K. A Comparison of Two Rice Cooperatives, by J. Jude Pansini
- L. Brief Histories of Agricultural Cooperatives
- M. Case Studies: Credit Union Cooperatives

### Bibliography

## PREFACE

Private sector cooperative projects in Ecuador were not designed as integrated rural development projects. The AID program in Ecuador assisted two types of cooperatives: credit unions, which channeled funds from the Cooperative Bank to agricultural producers who belonged to credit unions, and agricultural production cooperatives. After more than a decade of assistance to the cooperative movement, AID initiated a modest Improved Rural Life (IRL) component as an add-on to its cooperative institution development grant. The addition of IRL to ongoing agricultural production activities led to what could be considered an integrated rural development project. AID chose to evaluate this series of agricultural cooperative development activities as one approach to integrated rural development. The evaluation team found that the IRL activities amounted to less than 2 percent of AID assistance to cooperative development. IRL activities were dispersed geographically and sectorally; less than half of IRL activities were allocated to cooperatives; few cooperative communities benefited from more than one IRL activity; and many IRL recipients did not receive agricultural credit. The team concluded, therefore, that the IRL activities did not transform AID assistance to cooperatives into an integrated rural development project. Nonetheless, the team found ample evidence of cooperative communities seeking multisectoral services. This evaluation describes how cooperatives evaluated by the team acquired access to multisectoral services.

The evaluation team wishes to express its appreciation to USAID/Ecuador, the Government of Ecuador, and members of the cooperatives and their communities for the generous assistance they provided during the course of the evaluation. Within USAID/Ecuador, Neil Meriweather provided exceptional assistance with transportation and support services. Joe Beausoleil of the Agricultural Division deserves special mention for encouraging the undertaking of this evaluation and for preparing the team for takeoff before he wisely departed on leave. Joe Goodwin of the Agricultural Division provided encouragement and took an interest in our findings. Brenda Law de Negreti, Susana Dorys, and Tania Aquirre assisted the team with tireless typing and good cheer.

Francisco Lopez, former USAID employee and project manager for the Improved Rural Life (IRL) project, provided invaluable assistance as he tracked down project records from the Ministry of Agriculture and sought out his colleagues and counterparts from the old days. We owe special thanks to him and his colleagues in the Department of Rural Development, Ing. Gonzalo Chacon and Ing. Gonzalo Jaramillo, for providing information on where IRL activities were implemented. Pablo Maldonado and Eugene Brown also offered insightful historical perspectives.

Finally, Lic. Manual Benitez of the Federation of Savings and Loan Cooperatives (FECOAC) and Lic Jorge Salvador of the Federal of Production and Marketing Cooperatives (FECOPAM) were most generous with their time and their information. The evaluation could not have been completed without their assistance.

Two team members from Ecuador provided invaluable insights and kept the AID/Washington contingent from going astray when the issues became complex or the information overwhelming. Silvia Alvarez, an anthropologist whose familiarity with Ecuador's social structure and policies was invaluable, taught us a great deal about rural Ecuador. Cesar Jaramillo guided our travels and impressed on us the importance of cooperative education. He provided valuable insights into the importance of management and nonformal education as well as Ecuadorean development, based on years of experience with AID and as a contractor in nonformal education. Research assistants Victoria Dominguez and Gioconda Paredos spent long days interviewing cooperative members and non-members to provide additional information and corrections and confirmations of our conclusions. We thank each of these persons for their untiring assistance and willingness to work long hours to complete the task. Special thanks are due to Jorge Marcos of the Escuela Superior Politecnica del Litoral-Espol, who assisted for long hours with translations; his help surpassed the call of duty and contributed a "Harvard accent" to the report. Finally, Clem Weber deserves special thanks for his patience and perseverance in adjusting and fine-tuning the final draft.

SUMMARY

Agency for International Development (AID) assistance to private sector cooperatives in Ecuador began in 1962 and continued to 1976. During this period AID funded six projects totaling nearly \$10 million in support of credit unions and agricultural cooperatives. The Improved Rural Life (IRL) program was authorized in 1974 as an amendment to the Institutional Development-Agricultural Cooperatives Grant. A modest program of less than 2 percent of total AID assistance to cooperatives, the IRL was intended to provide community development activities to cooperatives that "displayed initiative" and "indicated willingness to participate in their own development." Fewer than half of IRL activities actually supported cooperatives.

AID assistance for cooperative development coincided with the passage of the Agrarian Reform Law of 1964 and the Cooperative Law of 1966. These laws allowed Ecuadorians who formed cooperatives to obtain long-term finance for land purchases and authorized duty-free import privileges for cooperatives. Thus, the agricultural cooperatives that AID assisted were primarily land-acquisition cooperatives, whose members actively sought the acquisition of social and agricultural services. By joining forces and working with local government institutions, the cooperatives became agents of integrated rural development. The overall beneficiaries of cooperatives are about 64,300 families, or about 5 percent of the rural population. AID assisted only a portion of these cooperatives through grants to four federations lasting from 18 months to 4 years.

Credit unions received sustained AID assistance over a 15-year period. They thrived in both urban and rural settings and became a major vehicle for agricultural credit programs. Currently, credit unions have 2.5 million members, benefiting an estimated 1.2 million families. Where small town credit unions collapsed because of mismanagement or corruption, large urban credit unions expanded to fill the demand. Approximately 80 percent of loans in rural credit unions are made for agricultural production.

The main conclusions of the evaluation are that cooperatives and credit unions can promote integrated rural development by encouraging members to work together or individually, as appropriate, for the acquisition of a broad variety of social and agricultural services. Cooperatives that have increased production and income have generally been more successful in obtaining better housing, education, water, sewage, and even electricity. For agricultural cooperatives, technical agricultural and management skills have been prerequisites for success. Generally,

AID-funded credit programs were not accompanied by adequate technical and engineering skills, resulting in serious debt problems from which the majority of cooperatives have not yet recovered.

Cooperative education, which almost completely ceased after AID phased out assistance to cooperative federations, is seriously inadequate, resulting in poor management, corruption, mistrust between leaders and members, little or no turnover of leaders, and inability of watch-dog cooperative committees to exercise effective oversight. Inadequate technical knowledge of agricultural production and irrigation infrastructure was a problem for cooperatives whose members did not acquire these skills prior to the formation of the cooperative.

The lessons learned pertain to the long-term nature of institutional development, including the need for cooperative federations to identify services that they can deliver effectively to generate operating costs, the need to combine credit with effective technical assistance, and the importance of cooperative education.

PROJECT DATA SHEET

1. Country: Ecuador
2. Project Title:  
Institutional Development-Agricultural Cooperatives
3. Project Implementation:
  - a. Project authorization--1969-1976
  - b. Final obligation--1977
  - c. Final input delivery--1977
5. Project Completion-Final Disbursement: Fiscal Year 1977
6. Project Funding:

a. AID Total	\$2,146,000
b. Other Donor	0
c. Host Country	<u>1,149,000</u>
Total	<u>\$3,295,000</u>
7. Mode of Implementation:
  - a. Project agreement between USAID/Ecuador and Government of Ecuador, Ministry of Agriculture
  - b. Implemented by Department of Rural Development (Ministry of Agriculture) in Guayaquil (for Coast) and Quito (for Sierra)
8. Evaluations:
  - a. Annual evaluations (Project Appraisal Reports--PARs) in 1969, 1970, 1971, 1976, and 1977.
  - b. Special evaluations: "Inter-Country Evaluation of Small Farmer Organization," Judith Tandler, 1976; Strategies for Small Farmer Development, Development Alternatives, Inc., 1975; "Evaluation of the Directed Agricultural Production Credit (DAPC) Program," local contract, 1972; and the Program to Promote Agricultural Enterprises (PPEA), "End of Project Evaluation," 1976.
9. Responsible Mission Officials During Life-of-Project:
  - a. Mission Directors: Robert J. Minges, Peter Cody, Harry Ackerman
  - b. Project Officers: Ed Hirabayashi, B.E. Dupuis, Alan Hankins



PROJECT DATA SHEET (continued)

10. Host Country Exchange Rates:

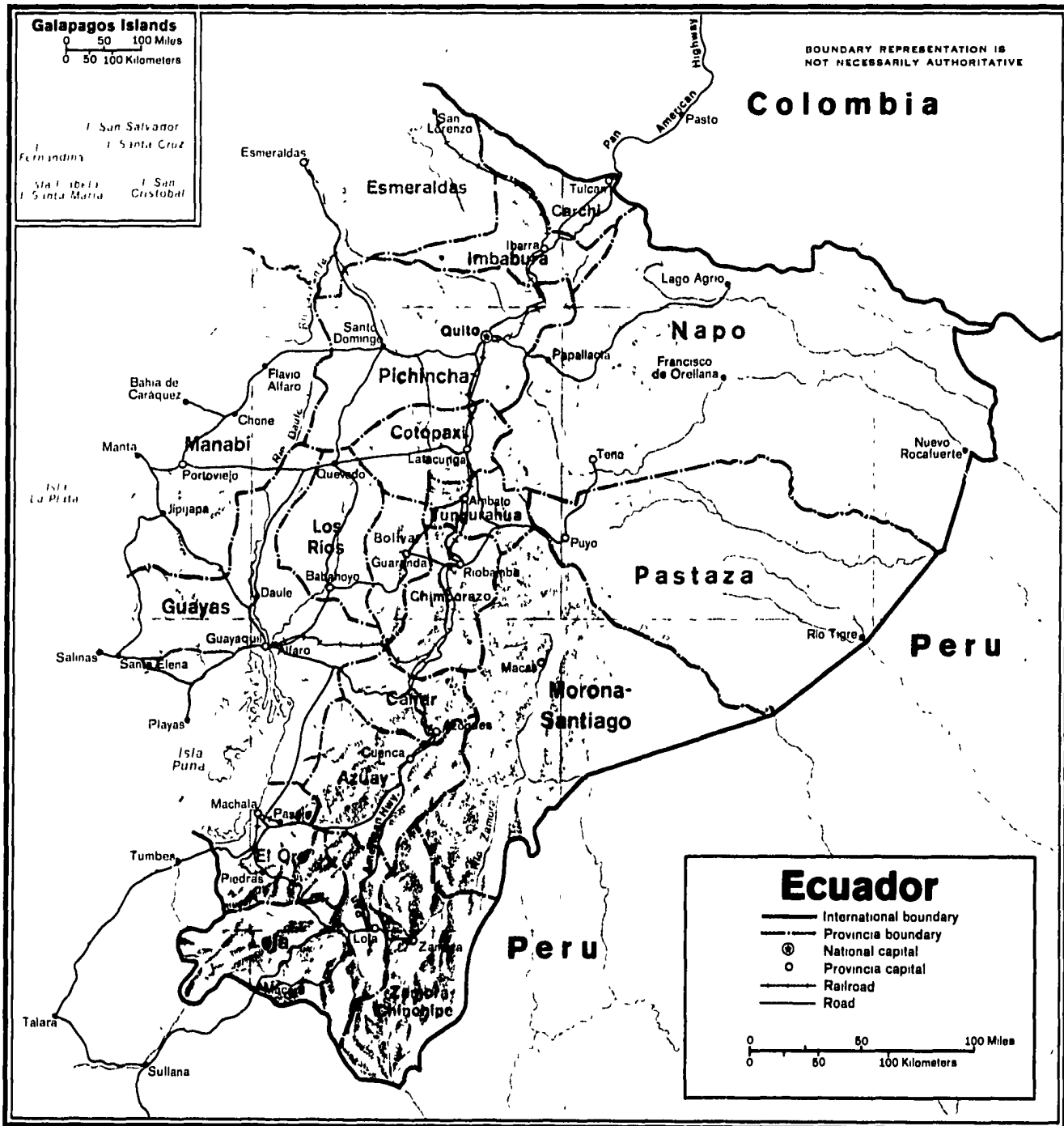
- a. Name of currency: Sucre (S/)
- b. Exchange rate: 1970-1981: US\$1.00 = S/25  
July 1984: US\$1.00 = S/90

GLOSSARY OF ABBREVIATIONS

BNF	- National Development Bank (Banco Nacional de Fomento)
CECAP	- Centro Capacitacion Profesional
CEDEGE	- Guayas River Basin Development Study Commission (Comision de Estudios para el Desarrollo de la Cuenca Rio Guayas)
CEDOC	- Ecuadorean Union of Catholic Workers (Central Ecuatoriana de Obreros Catolicos)
CESA	- Ecuadorean Center for Agricultural Services (Central Ecuatoriana de Servicios Agricolas)
CTE	- Ecuadorean Workers Union (Central de Trabajadores Ecuatorianos)
CLUSA	- Cooperative League of the USA
COPSEGURO	- Cooperative Insurance
CUNA	- Credit Union National Association
COLAC	- Confederation of Latin American Credit Unions
DAPC	- Directed Agricultural Production Credit program
FAO	- Food and Agriculture Organization (of the United Nations)
FETAL	- Federation of Coastal Agricultural Workers (Federacion de Trabajadores Agricolas del Litoral)
FECOAC	- Federation of Savings and Loan Cooperatives (Federacion de Cooperativas de Ahorro Y Credito)
FECOPAM	- Federation of Production and Marketing Cooperatives (Federacion de Cooperativas de Produccion Y Mercadeo)
FENACAFE	- National Coffee Federation (Federacion Nacional de Cafe)
FENACoopARR	- National Federation of Rice Cooperatives (Federacion Nacional de Cooperativas Arroceras)
FODERUMA	- Marginal Rural Development Fund (Fondo de Desarrollo Rural Marginal)

GLOSSARY OF ABBREVIATIONS (cont.)

ICE	- Ecuadorean Cooperative Institute (Instituto Cooperativo Ecuatoriano)
IDB	- Inter-American Development Bank
IERAC	- Ecuadorean Institute of Agrarian Reform and Credit (Instituto Ecuatoriano de Reforma Agraria Y Credito)
INERHI	- Ecuadorean Institute of Water Resources (Instituto Ecuatoriano de Recursos Hidraulicos)
INIAP	- Agriculture Research and Production Institute (Instituto de Investigacion Agricola Y Produccion)
IRL	- Improved Rural Life
MAG	- Ministry of Agriculture (Ministerio de Agricultura)
PNA	- National Rice Program (Programa Nacional de Arroz)
PNC	- National Coffee Program (Programa Nacional de Cafe)
PPEA	- Program to Promote Agricultural Enterprises (Programa de Promocion de Empresas Agricolas)
SDA	- Special Development Accounts
UCAN	- Northern Agricultural Cooperatives Union (Union de Cooperativas Agropecuarios del Norte)
UCOPAL	- Union of Production Cooperatives on the Coast
UNCOOPORO	- Cooperative Union of the El Oro Province (Union Cooperativa del Provincia El Oro)



- 1 -

## 1. PROJECT SETTING

Cooperative development in Ecuador is inextricably tied to the Agrarian Reform Law of 1964, which established cooperatives as the vehicles through which peasants could make claims against landlords for the purchase of land. Cooperatives also provided peasants with the requisite legal status to acquire bank loans to purchase land. Subsequently, other legislative measures reinforced the Agrarian Reform Law and strengthened the cooperative movement. The Cooperative Law of September 1966 facilitated the organization of cooperatives for purchasing land for agriculture or housing and granted the cooperatives duty-free import privileges for agricultural, transport, and industrial equipment. In 1970, Decree 1001 facilitated the acquisition of land for rice cooperatives.

By historical accident rather than by design, Ecuador's agrarian reform movement coincided with substantial Agency for International Development (AID) support for cooperative development. In 1961, Congress passed the Humphrey Amendment to the Foreign Assistance Act to promote private rather than public sector development through the foreign assistance program. The Amendment explicitly sought "to encourage the development and use of cooperatives, credit unions, and savings and loan associations." It was the product of Midwestern agricultural constituents, including the Credit Union National Association (CUNA) and the Cooperative League USA (CLUSA), who subsequently implemented AID's cooperative development projects in Latin America. In response to the Humphrey Amendment, AID became the primary donor to the cooperative movement in Ecuador.

Cooperative development over the past two decades must be viewed in the context of dramatic overall economic development. At the beginning of the 1960s, Ecuador was one of Latin America's poorest countries. The economy was primarily agricultural, with bananas, coffee, and cocoa accounting for 90 percent of export earnings. Agricultural production was based on large plantations or haciendas. Cheap labor was provided by peasants who were dependent on landlords for wages, housing, and a small plot of land to supplement their subsistence. Landlords generally did not provide for education of adults or children.

In the early 1970s, Ecuador's petroleum revenues transformed it into a middle-income country. During this decade, the rate of economic and social development was exceptionally high, with an average gross national product (GNP) growth of 9 percent per year in real terms. Although the growth rate began to decline in the 1980s and was negative in 1983 as a result of the effects of the hurricane El Niño, development in rural areas continued. The evaluation team was impressed by the extensive rural infrastruc-

ture in place: paved roads led in and out of many villages; remote areas had acquired primary schools; and small villages had become towns, with population increasing 5- to 10-fold over the decade. Citing Ecuador's high petroleum revenues, the United States decided in 1973 to phase out its aid program to Ecuador over a 5-year period. This decision was reversed in 1978.

## 2. PROJECT DESCRIPTION

AID's initial assistance to cooperative development in Ecuador began in 1962 and ended in 1976. Over the 15-year period, AID provided nearly \$10 million through six projects (three loans and three grants) to five federations of credit unions and agricultural cooperatives and for the establishment of a Cooperative Bank. Five of AID's projects to support the cooperative movement are relevant to this evaluation: (1) a Credit Union Development Grant signed in 1962, which established and supported a federation of credit union cooperatives; (2) an Agricultural Cooperatives Grant for institutional development initiated in 1966; (3) two loans for the Cooperative Bank to channel agricultural credit through credit unions; and (4) a Land Sale Guaranty Loan for rice cooperatives. One cooperative grant was excluded from the evaluation because it was not in the mainstream of AID's assistance to cooperatives either geographically or institutionally.

The Improved Rural Life (IRL) program was authorized in 1974 as an amendment to the Institutional Development-Agricultural Cooperatives Grant. A modest program of US\$192,000 (less than 2 percent of total AID assistance to cooperatives in Ecuador), the IRL was designed to assist landless peasants who had been organized into land reform cooperatives. The IRL sought to reward peasants who "displayed initiative" and "indicated willingness to participate in their own development." Over a 3-year period, the IRL funded road construction, community centers, general stores, electrification, artisanal and small industrial activities, training, and health and dental clinics. Less than half of this assistance was allocated to agricultural cooperatives, as had originally been intended.

## 3. PROJECT IMPACT: FINDINGS AND ANALYSIS

As the principal vehicle for the implementation of the Agrarian Reform Law, the cooperative movement has grown dramatically over the past 20 years. Between 1963 and 1978, agricultural cooperatives increased from 234 to 1,159, and membership grew from 9,300 to 64,300. During the same period, the number of

small farm units increased by 50 percent, while the number of large farms declined.

The total number of beneficiaries of the Agrarian Reform Law, including the cooperative movement, is 55,000 farm families, or about 5 percent of Ecuador's rural population. In contrast, credit unions have benefited over 1.2 million families, or 60 percent of the population, of which about 50 percent are rural households that utilize credit unions primarily for agricultural credit. In terms of magnitude of impact, credit unions have contributed far more to Ecuador's development than agricultural cooperatives.

### 3.1 AID and Cooperative Federations in Ecuador

AID's approach to cooperative development was to foster the creation of cooperative federations intended to provide services to member cooperatives on a self-sustaining basis. AID assistance was concentrated on federations for credit unions and for agricultural cooperatives.

#### 3.1.1 Credit Unions

The credit union movement in Ecuador can be claimed an unequivocal success. The movement has evolved into a powerful organization that competes with the private banking sector. Credit unions are a major development force in both rural and urban areas. They have some 2.5 million members, or an estimated half of Ecuador's households (some households belong to more than one credit union). The team estimates that about half of rural households benefit from credit union loans, primarily in agricultural credit, but also in housing and consumer loans.

Of 10 credit unions evaluated, the evaluation team found that 6 are successful, 3 have collapsed, and 1 is not functioning but has significant assets. Statistically, a 60-percent success rate does not accurately reflect the impact that credit unions have had on rural development. From the outset, AID encouraged credit unions to promote supervised agricultural credit through special programs, and agricultural credit has remained a major business for credit unions. Farmers constitute as much as 80 percent of rural credit union members, and large urban credit unions have established branch offices in rural areas. Where small rural credit unions have suffered or collapsed from management weaknesses, large urban unions have opened branches that provide popular and profitable savings and loan services.

AID support to credit unions represents the longest and most stable assistance provided to any federation of cooperatives. In 1972, after 10 years of assistance, AID determined that credit unions had become self-sufficient and began to withdraw support gradually over the next 5 years. The Federation of Credit Union Cooperatives (FECOAC) is the only successful cooperative federation in terms of providing basic support and having achieved a secure financial base from the dues that it collects. Its services are sought by the membership to provide legitimacy for and protection of the credit union movement against the private banking sector and to maintain links with international credit union organizations.

### 3.1.2 Agricultural Cooperatives

AID assistance to agricultural cooperatives was less consistent. Because of problems with each of the four federations of agricultural cooperatives that AID assisted, AID support lasted for only short periods (18 months to 4 years).

The National Coffee Federation (FENACAFE) is the only agricultural cooperative federation that achieved financial viability by offering a service that farmers could not perform for themselves, that of marketing coffee through access to export quotas. This federation suffered during project implementation as a result of the selling of coffee quotas by members. Although the member cooperatives still exist, there was scant evidence of coffee production on the farms visited by the team, suggesting that quotas are still being sold. There has also been a gold rush in this province, which has shifted the economy away from coffee, its traditional mainstay. Thus, the National Coffee Federation is successful from the perspective of financial viability, but not from that of increasing coffee production.

The other agricultural federations have been confronted with the dilemma of providing agricultural services or engaging in businesslike activities to attain a viable financial base. While AID sought to promote financial self-sufficiency for the federations, it also encouraged them to deliver a broad range of services for which the cooperatives could not pay. This required a large injection of resources, and AID initially paid as much as 90 percent of the operating funds of the cooperative federations. Then AID became frustrated because the cooperative federations could not attract resources to pay for operating costs and withdrew its assistance.

The Federation of Production and Marketing Cooperatives (FECOPAM) is the only surviving cooperative federation apart from the National Coffee Federation. It suffers from inadequate



resources to provide services to its members and collects meager funds for some services such as accounting, technical assistance, or pump rentals. It has recently obtained a loan to finance a rice milling operation that has the potential of providing sufficient income to meet its operating expenses. Whether there will be adequate management time or resources to expand services to cooperative members remains to be seen.

The National Federation of Rice Cooperatives (FENACOPARR) was of special interest to AID because of its role in the agrarian reform movement. Conflicting views on the issue of financial viability versus service delivery caused serious problems between AID and the federation, which finally decided that it did not want further assistance from AID. The rice federation wanted to provide subsidized services to struggling rice producing cooperatives involved in land acquisition, while AID wanted the federation to fund more of its own operational costs. Ironically, after AID withdrew its support, this federation became too business oriented, lost the support of its members, and collapsed 2 years later because of mismanagement and financial overextension.

### 3.2 The Improved Rural Life Program

The Improved Rural Life program was an afterthought to AID's main cooperative development activities. Funded in 1974, when AID was phasing out its involvement with cooperative development, the IRL represents less than 2 percent of total AID assistance to cooperatives.

Designed to help members of agricultural cooperatives to acquire multisectoral services based on initiative and participation, the IRL was implemented through the Rural Development Department of the Ministry of Agriculture, which supports all farmer organizations in Ecuador. The team found no evidence of publicity or competition for IRL funds. Instead, IRL activities appear to have followed in the wake of field trips by the Rural Development Department. IRL was implemented as a loosely structured self-help fund to assist groups of rural (and urban) Ecuadoreans who had contacts with the Ministry. Less than half of the beneficiary groups were cooperatives, and some groups participated in as many as four separate IRL activities.

Of the 16 IRL activities reviewed by the team, 6 were successful and 10 were unsuccessful (discontinued or left no trace). The successful activities included community centers and garden plots which encouraged private use of available technology. The team found that infrastructure activities such as community centers were well utilized, even if not as intended. Roads and

electrification projects were forgotten by the intended beneficiaries, having been subsumed by existing infrastructure or fallen into disrepair. Sewing projects were discontinued as soon as the outside organizer (an extension agent or Peace Corps Volunteer) stopped sponsoring the activity. General stores, brick-making operations, and health and dental centers either were never started as planned or were discontinued. Often the public sector provided these services, or urbanization brought the farmers closer to existing services as a result of the growth of towns or the provision of better transportation services.

Five cooperatives that received IRL assistance were specifically sought out by the team. All of them were in rice growing regions. The IRL activities in which they participated had an average success rate of 30 percent.

IRL activities contributed to the goals of rural development but did not converge into an integrated rural development project because of (1) the haphazard, nonparticipatory nature of the selection process; (2) the absence of more than one IRL activity in most recipient communities; and (3) the absence of AID assistance for agricultural production in most communities.

Because of these factors, the team was reluctant to base the evaluation on the IRL program and decided to evaluate agricultural cooperatives as an alternative approach to integrated rural development. Cooperatives generally have some capacity to generate resources from within; they are also capable of attracting outside resources from government services, cooperative federations, private voluntary groups, and credit unions or banks. The team focused on cooperatives as a mechanism for achieving the classic goals of integrated rural development, such as improved access to services and improved quality of rural life. In the five cooperatives in which IRL activities occurred, the team viewed IRL activities as another outside resource promoting integrated rural development.

### 3.3 Agricultural Cooperatives and Integrated Rural Development

Agricultural cooperatives did not have as significant an impact on rural development as credit unions. Agricultural cooperatives have reached only 64,300 households. Yet, the impact of agricultural cooperatives on individual farmers is probably greater than that of credit unions, because agricultural cooperatives are associated with land acquisition and a new way of life.

Of the 19 agricultural cooperatives evaluated, 7 have been successful in terms of significantly increasing production and

incomes; 5 have not yet attained high yields and profits, but are making progress; and 5 are unsuccessful insofar as yields and incomes are very low and the cooperatives' lands are threatened by foreclosure because of excessive debts. Two coffee cooperatives were dropped from the evaluation because there was little evidence of coffee production, even though the cooperatives still exist. The five unsuccessful cooperatives were all rice producing cooperatives that were involved in land acquisition and that had received excessive credit and poor technical advice from the AID rice cooperative credit program.

### 3.3.1 Improvements in Income and Quality of Life

The acid test of an integrated rural development program is whether the lives of the people who participated in the project improved. The team asked this question at every cooperative it visited. In some cases, the answer was obvious before the question was asked. Even in cases in which farmers were obviously struggling, the answer was always: "We may not be better off in terms of income, but at least we can make decisions about our lives." The freedom to make these decisions is grounded in land ownership. No cooperative member believed that he or she was better off before joining a cooperative to acquire land.

Members of 7 of the 19 cooperatives evaluated had been able to increase yields and incomes substantially. These successful cooperatives had developed good farming skills and practices, including input supply, marketing, and equipment operation and maintenance, and they had exceptional managers. Many members had learned good farming practices on the plantations they had worked and applied this experience to their new land, to their benefit. One cooperative was sponsored by the ex-Minister of Agriculture during the land reform, who provided technical assistance and credit until cooperative members acquired adequate skills to sustain high levels of production. Another's president was also the president of a cooperative federation that provided an effective extension agent. Generally a small group of leaders dominated the cooperatives. Although some resentment of dominant leadership was apparent, the cooperatives were viable financially and members had higher incomes than members of other cooperatives.

The team found no agricultural cooperatives that had collapsed, although we encountered one that was so weak that some members had to sell their shares (land). In five moderately successful cooperatives, progress was being made and members were slowly improving their lives. In five unsuccessful cooperatives (all rice cooperatives), members recognized that failure in terms of foreclosure of the land was a real possibility, and they were

struggling to avoid this fate. All cooperatives had access to credit, and all but one (which could no longer afford it) utilized mechanization and modern inputs. Five cooperatives (including three of the successful ones) owned their own tractors. Most were struggling to repay land-acquisition loans, and one was struggling to pay for a tractor. For some cooperatives, the team surmised that there would be insufficient funds to finance a significant increase in yields through better input supply or mechanization until land debts were repaid.

Because cooperative members generally are previously landless peasants learning to cultivate their own land, the fact that all the cooperatives are still in existence could be indicative of modest success; however, it could also indicate that members essentially are tied to the same land and the same debt.

Many improvements in the lives of agricultural cooperative members derived not from the land but from the creation of legal communities that could obtain social services such as education. Members of cooperatives have greater access to most social services than they did before the land reform. The expansion of education is the most dramatic example of the broad economic and social development that has characterized Ecuador since the agrarian reform movement was initiated. It should be noted, however, that education is also a priority of the Ecuadorean Government, which operates under a legislative requirement that 30 percent of the budget be allocated to education. The team met several cooperative members with children in universities, a phenomenon unheard of 20 years ago.

### 3.3.2 Demand for Multisectoral Services

Most agricultural cooperatives in Ecuador were formed to acquire land. The team found only 3 of 19 agricultural cooperatives that were not formed for this purpose. Two of these were coffee cooperatives organized to obtain export quotas; the third was a colonization group that formed a cooperative 8 years later to work together to solve agricultural problems and to acquire social services. Members of three land-acquisition cooperatives had other land or occupations but augmented land holdings through the formation of a cooperative.

Cooperatives were most successful in addressing a broad spectrum of social services when the cooperative membership coincided with a community. Where cooperatives constituted only a small part of a larger community, other organizations took the lead in acquiring social services.

The formation of land-acquisition cooperatives generally involved the creation of a new community. Cooperative members

either moved to new land or obtained title to part of a plantation on which they were laborers. These new, legally based communities generally had few social services available. Of 15 land-acquisition cooperatives, 9 were new communities formed around cooperative members and nonmembers; the other cooperatives were subgroups of large, established communities.

The team found an overwhelming demand for multisector services in the nine new cooperative communities. These communities actively sought to obtain services related to agriculture, education, health, potable water, electricity, community centers, and sewage. Some were instrumental in improving access roads or river transport, although most had adequate access to transportation. Some cooperatives even contributed to the resolution of housing problems.

Agricultural cooperatives have been catalytic agents for promoting integrated rural development. Their leaders often become leaders in other aspects of community life. Through agricultural cooperatives, community members expressed their demands for certain types of services and, with varying degrees of success, were able to acquire them. In many communities, cooperatives were the first or main community organization, which then evolved into a local government. Community requirements often were met through cooperative structures or through special committees organized by cooperative leaders.

The range of services sought by cooperatives was multisectoral, covering many of the basic needs of members. The focus was on services that had to be delivered at the community level, such as technical agricultural advice, inputs and credit, education, health, roads, water supply, and electricity. Needs such as housing and sewage were handled on an individual basis, as were credit and other agricultural services when individuals could acquire them without the cooperative.

### 3.3.3 Sequencing of Services

The team found no evidence of sequencing of the services sought by cooperatives. Generally, both leaders and members spoke of the need for a broad variety of services--as many as possible and as quickly as possible. Planning for these services occurred concurrently and tended to involve negotiations with national or local governments. The singular success that cooperatives have experienced in obtaining primary education reflects the high priority that the national Government has also accorded to this objective. Other social services have been more difficult to acquire, because Government support has been more difficult to obtain. Many cooperatives attempted or planned to

provide services such as input supply depots, marketing, or a general store but were constrained by financial and managerial limitations.

Priorities for services provided by cooperatives are difficult to determine because of the multiplicity of demands. Generally, agricultural services were accorded the highest priority, reflecting the source of livelihood for cooperative members and the need to repay land-acquisition loans. Cooperatives that were struggling with agricultural production problems also were threatened with loss of their land if they could not meet loan payments.

Social services of all types were in demand, especially education. The team learned of a request for a secondary school that was not met by the Government because the local community could not make the required contribution. Generally, housing was the responsibility of individuals, although some cooperatives provided temporary housing or land for building houses. In several successful cooperatives, members were building new homes, a demonstration of the high priority accorded to housing. Electricity was also mentioned as a need in communities that did not have it; one cooperative organized construction of a power line to the school and to the homes of individual members who could pay their share of the cost.

### 3.4 Credit Unions and Integrated Rural Development

Credit unions have constituted a vehicle for attaining many of the goals of integrated rural development. In Ecuador, the credit union movement became a major vehicle for agricultural development through an AID program for supervised agricultural credit initiated in 1965. In 1974, the credit union movement provided 50 percent more agricultural credit than the Cooperative Bank and almost as much as a major AID credit program for rice cooperatives.<sup>1</sup>

The team visited 10 credit unions and found that 6 are highly successful, 3 have collapsed, and 1 does not function but has significant assets. The largest urban unions have branch offices in rural areas. The evaluation team found widespread evidence of credit unions in rural areas, with farmers constituting as much

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<sup>1</sup>Judith Tendler, "Inter-Country Evaluation of Small Farmer Organization" (Washington, D.C.: U.S. Agency for International Development, 1976), p. 20.

as 80 percent of membership. Relatively easy access, a short approval period, and reasonable terms make credit unions an attractive option for farmers who can afford to save.

In addition to agricultural credit, credit unions provide credit for commercial and agricultural services in rural areas, housing, consumer goods, and personal loans. Credit union leaders have also become community leaders, functioning in other capacities to promote the acquisition of services. The credit union movement in Ecuador has about 2.5 million members and benefits about half of all households in Ecuador.

Management of credit unions has posed a constraint in many rural areas. The team encountered four small, rural credit unions that had collapsed or were not functioning because of poor management, including bad investment decisions, poor loan repayments related to poor choice of borrowers, and corruption. These problems could be avoided by better education and training or the provision of technical assistance. Some rural credit unions were functioning well. In most rural areas, however, large urban credit unions have opened branch offices, resulting in the availability of well-managed credit union services throughout most of rural Ecuador.

### 3.5 Cooperative Management

Training in cooperative management and development has been discontinued since AID support to the cooperative federations was phased out in 1976. Both agricultural cooperatives and credit unions are experiencing difficulty in managing their business. The lack of leadership training has resulted in little turnover in cooperative leadership and a low level of understanding by members of what to expect from leaders. Misunderstandings have taken their toll on the functioning of cooperatives in all areas, not just agricultural production. Management problems have contributed to the indebtedness in which some cooperatives find themselves. Until sound concepts of management, accounting, and cooperative principles are absorbed by cooperative members, the attainment of a high level of self-sustaining production will be largely a matter of luck.

Even successful cooperatives suffer from management problems such as stagnant leadership and mistrust arising from poor communication. These cooperatives would be threatened with collapse if the thin veneer of leadership were to be removed. The team found that management problems were more serious than any other problem, including lack of technical services, because technical advice can be implemented individually. Even credit problems could be mitigated by better management of loans obtained.

### 3.6 Participation and the Cooperative Process

Participation is an important part of the cooperative process. Although cooperatives are founded on participation, the team found that land acquisition has taken precedence as the primary incentive for all but one cooperative. Paying off a loan in common does not in itself foster participation in other joint actions. Cooperatives that were experiencing difficulties in meeting payments were often brought together by this shared experience and have experimented with communal farming. The BNF has encouraged some cooperatives to farm communally so that the cooperatives can control the revenue and repay the loan. Only one of the successful cooperatives (San Felipe) farms its fields jointly on a voluntary basis and divides the returns according to number of days worked.

Participation can also be viewed as part of the management process. A frequent management problem is that individuals feel left out of the decision-making process. In general, the team found that cooperatives that had regular, open (General Assembly) meetings showed more pride in their accomplishments and less resistance from the membership than cooperatives headed by leaders who acted independently of the group and did not keep members informed. Some cooperatives that have experienced extreme difficulties seemed to work well as groups because of strong ties between leaders and members. Other cooperatives, including some credit unions, failed because there was inadequate discussion, resulting in mistrust and accountability problems.

Cooperative education is vitally important for reenforcing the participation process. Cooperative leaders who do not understand the importance of participation and communication/discussion in decision-making at all levels pose a serious threat to the vitality of a cooperative in the short run and to its viability in the long run. Without general participation, members cannot develop their skills and emerge as new leaders because they cannot learn how to manage. Furthermore, there is more work to be done in these communities than one or two leaders can handle. With participation, some tasks can be delegated, facilitating the development of new leaders. The ultimate risk in not encouraging new leaders to emerge through participation is that leaders cannot be replaced and the cooperative may collapse.

### 3.7 Capacity-Building: The Role of Education

Development has been defined as enhancing people's capacity to accomplish objectives of their own choosing. Educating people to achieve the initiative and self-confidence to undertake devel-



opment is no easy feat. "Education" is almost too strong a word. "Nonformal education" is better because it implies that the teacher/learner relationship is not rigid and that learning can take place in the real world; "facilitating" is yet a better word because it implies that people learn by doing and by being encouraged and advised when they encounter obstacles.

However education is defined, its role is crucial in cooperative development, as it is in self-sustaining development of any type. Education is necessary to enable a cooperative to achieve the goals it establishes for itself. It is necessary for management, for maintaining participation and accountability, and for achieving production goals and the delivery of agreed-on services. Many types of education, including instruction in the principles of cooperatives and participation, management, and accounting, and the teaching of technical skills for agricultural production and for equipment operation and maintenance, are essential for a viable agricultural cooperative. Most are also essential for a credit union, although participation does not have to be as active (if members understand basic criteria for lending, and so on), and technical skills may not be required for handling every loan. The team concluded that education is one of the most important, and one of the most overlooked, elements of cooperative development and of integrated rural development projects.

### 3.8 Cooperatives Versus the Improved Rural Life Experience

AID assistance to the cooperative movement was intended to promote agricultural development. In contrast, the Improved Rural Life (IRL) activity was intended to promote multisectoral development. In fact, AID assistance to the cooperative movement did more to improve rural lives from a multisectoral perspective than did AID support of the IRL. Apart from the very minor level of resources allocated to IRL, the primary reason for the difference in impact on both agricultural development and multisectoral development is the central role of participation and capacity-building in cooperative development. Cooperatives are organizations operated by and on behalf of the members. Thus, cooperative members develop a sense of their ability to influence their environment. If they can become landowners together, why should they not be able to acquire schools, health services, and agricultural credit together? A sense of having the power to change one's life is fundamental to the ability to initiate and to sustain development activities.

IRL sought to reward local initiative through incentives. However, the idea of rewarding deserving communities with IRL activities is difficult to implement, particularly when any com-

munity would welcome the gift. IRL was not able to establish an approach that could truly reward initiative and participation; instead, it sought to spread its bounties as rapidly as possible to meet disbursement deadlines. For that reason, many activities were not sustained, and the development impact proved to be as shallow as the implementation tactic. The cooperative approach of encouraging local leadership and participation for commonly held objectives may take longer to get started, but it also bears more fruit in the long term.

### 3.9 Distribution of Benefits

The services provided by agricultural cooperatives have generally benefited all of their members. Some of the social services also have benefited non-cooperative members within the communities, as have limited marketing and input supply services. However, there is evidence that many services such as agricultural credit or provision of input supplies benefit some cooperative members more than others.

Surveys carried out in seven of the cooperative communities showed that all cooperative members do not own the same amount of land. Differences can be significant: in Payo Cooperative, one member owned 20 hectares, compared with 4 each for several other members.

The fact that agricultural services such as credit, input supply, and mechanization are based on the amount of land cultivated perpetuates inequalities, even if these services are repaid individually. The reasons for inequality of land distribution within cooperatives vary. Often it originated from the initial allocation of land. When cooperatives were formed in some areas, farmers received land equal to the amount they had been working prior to the formation of the cooperative. In other situations, cooperatives allocated land based on the ability (labor and other resources) of a member to cultivate it.

The benefits of credit union development have spread far beyond agricultural cooperatives. The credit union movement has 2.5 million members, covering an estimated half of Ecuador's population. The team estimates that approximately one-half of rural families benefit from the credit union movement. In contrast, agricultural cooperatives had an estimated membership of 64,300 in 1978. However, the credit union movement has not benefited the poorest farmers. Although the Carchi Credit Union estimates that 80 percent of farmers in that province belong to a credit union, the average farmer in Carchi Province is relatively well off: he owns a truck, utilizes modern inputs, and is well educated.

### 3.10 Sustainability of Services

A major problem with integrated rural development projects is that often services cannot be sustained after the project ends, because of insufficient management capability or inadequate financial resources. Generally, the services that have not been sustained are those that were provided by the Ministry of Agriculture and the cooperative federations, such as technical assistance in agricultural production and in cooperative management. A large number of cooperatives have suffered as a result.

Social services acquired by the cooperative communities have generally been sustained. One of the advantages of working through private sector agricultural cooperatives at the community level is that service provision is not burdened by extra levels of management or bureaucracy, and services are obtained only in relation to the capacity of the community to sustain them. Agricultural cooperatives, which were able to attract services through their own resources or through government channels, usually were able to sustain these services. Some social services tend to have large startup costs (such as school construction); however, subsequent operating costs are generally incorporated into government budgets. Cooperatives have been most successful to date in attaining education services; they have been less successful in the areas of health, electricity, and potable water.

The types of services that have been discontinued are those requiring management capability or financial resources. These include agricultural services such as input supply and credit, as well as general stores. Often cooperatives have been unable to repay loans because individual members have spent the income elsewhere. Credit has become more difficult to obtain in these cooperatives. Difficulties with credit have also led the BNF to encourage cooperatives to farm communally, so that cooperative managers can control the production and marketing process, improving the prospect of repayment.

### 3.11 Impact on the Poor

The cooperative movement in Ecuador, propelled by the land reform movement, reached the poorest members of the society, the landless plantation workers, and raised them to the level of small farmers with low-to-middle incomes. With the exception of about 30 percent of cooperatives (which were still struggling but might do better over time), the beneficiaries of the cooperative movement have achieved a stable, reliable existence, with fluctuations in income no greater than those faced by most farmers worldwide.

#### 4. CONCLUSIONS

1. Agricultural cooperatives in Ecuador have been instruments of integrated rural development as a result of their interest in and ability to deliver multisectoral services. Cooperatives have been able to articulate demands for many types of services. Even when they have been unsuccessful, cooperative leaders and members are continuing their efforts. However, the addition of the Improved Rural Life component to the Agricultural Cooperatives-Institutional Development project did not transform that project into an integrated rural development project. The IRL activities were not implemented in a way that was complementary to agricultural cooperative development.

2. Cooperatives that have been successful in increasing agricultural production and income achieved success in the acquisition of other services because both individual members and the cooperatives had more resources. Members of successful cooperatives generally have better housing, sewage, water, and electricity.

3. For agricultural cooperatives in Ecuador, technical agricultural and management skills have been prerequisites for success. The acquisition of this knowledge has been nearly impossible for cooperatives whose members had no prior technical management experience.

4. Credit unions in Ecuador have been more effective agents of agricultural development than agricultural cooperatives because of their ability to manage credit and their wide coverage of rural areas. Credit unions have provided credit and technical assistance services to a significant proportion of rural Ecuadoreans. Credit unions, working with extension agents, have been relatively more effective in helping farmers to acquire agricultural and management skills than extension agents alone. They also have assisted members to acquire social amenities.

5. Education in cooperative management and in technical agricultural skills, including the handling and maintenance of equipment, is one of the most important elements contributing to the success of cooperative development. Unfortunately, education in cooperative development activities was not institutionalized and has become the most overlooked element of cooperative development. The lack of an effective system of cooperative education means that fledgling cooperatives will struggle longer and harder to become viable, and may never do so.

6. A main advantage of working through cooperative and credit union structures is that there is relatively less dependence on public sector organizations for the delivery of services

for which farmers are able and willing to pay. Farmers organized in cooperatives also are better able to make demands on public services.

7. Cooperatives constitute a legitimate participatory organization for integrated rural development and should be supported by AID where possible as a private sector vehicle for channeling assistance for rural development.

## 5. LESSONS LEARNED

1. The fundamental lesson to be drawn from AID experience with cooperative federations in Ecuador is that AID must think through the implications of institutional development and be prepared to support the federations long enough for them to become viable. Especially important is the relative emphasis of cooperative federations on services rather than profit-making activities to generate operating funds for the federation. For a cooperative federation to be viable, it must attract the participation of financially viable cooperatives that value services and can generate the funds to pay for them. The credit union federation that AID assisted over a 14-year period was the only federation to attain financial viability as a result of the strength of its member credit unions.

The dilemma of cooperative federations is the "chicken and the egg" question: services must be delivered to foster the evolution of viable cooperatives, yet service delivery cannot be financially viable until member cooperatives are developed. Once cooperatives can afford to pay for services, they may no longer require some of the basic education and institution-development services that federations can provide. The challenge of financial viability is tougher for agricultural cooperative federations than for credit unions; with the exception of the coffee cooperatives, there is no obvious service that federations can deliver more effectively than the private sector or the government.

2. AID should avoid ambitious credit programs such as the rice cooperative credit Program to Promote Agricultural Enterprises (PPEA) unless it can ensure that skilled technical assistance is provided along with the credit. The majority of the rice cooperatives that received assistance from the PPEA were not able to increase production and have struggled to repay the loans, in large part because of inappropriate technology transfer or faulty application. (Irrigation infrastructure has never functioned well in these cooperatives, and lands are still not level in most affected fields.) All five unsuccessful cooperatives were in the rice growing areas, and each received assist-

ance under the AID program. No effort has been made to cancel debts or to compensate farmers who received poor advice under the program.

3. Technical agricultural skills must be effectively conveyed to cooperative farmers at the outset if agricultural cooperatives are to achieve the desired agricultural and multi-sectoral development results. The transmission of technical skills represents one of the greatest continuing challenges of rural development.

4. Education in the principles of cooperative management must be taught to members at all levels so that cooperatives can benefit from the required committee structures, including watchdog and credit committees. This type of education would alleviate the most critical problems faced by the cooperatives: (a) in-fighting and communication problems, (b) corruption and poor financial management, (c) lack of unified leadership, and (d) the as yet unaddressed problem of how to replace or replenish the leadership cadre in the successful cooperatives, all of which tend to be dominated by one to three leaders.

**APPENDIX A**

**PHOTOGRAPHS**

### A SUCCESSFUL RICE COOPERATIVE

San Felipe Cooperative in Guayas Province (see Appendix K) was among the most profitable cooperatives evaluated. All land is cultivated communally. Wages are paid to all members according to their labor, and profits are distributed equitably among all members. The cooperative owns a full complement of farm equipment and has invested in livestock. The cooperative received an AID loan for irrigation infrastructure.



Co-op leaders pose before the co-op office/storehouse building.



The co-op president explains how the co-op operates, noting that leaders must continue to educate members and gain their trust.



have moved to a nearby town to have access to education.



Access to the co-op involves fording the Guayas River. The co-op owns a barge and a boat to transport vehicles and people.



### AN UNSUCCESSFUL RICE COOPERATIVE

Cooperative 15 de Noviembre in Guayas Province was among the least successful cooperatives. Its agricultural debts were so great that cooperative members could no longer afford to use modern inputs or mechanization. Even a leased irrigation pump was in disrepair. Through the AID program, the cooperative received a community center and credit for irrigation infrastructure. The cooperative is still deep in debt because of this rolled-over loan.



The community center built under the IRL Program is used for co-op meetings, classes, and other town functions.



Both men and women participate in co-op meetings, which are conducted in a remarkably open fashion.



The access road to the 15 de Noviembre Co-op, which is 1-2 miles from a paved trunk road.



The typical home of one co-op member.

### A SUCCESSFUL VEGETABLE PRODUCTION COOPERATIVE

La Esperanza Cooperative in Imbabura Province is a highly successful cooperative. It converted sugarcane fields into vegetable truck gardens for the Quito market. Members work their own plots and market their produce. La Esperanza Cooperative is composed of an ethnically distinct group of Ecuadorians descended from slaves. The cooperative received no AID assistance.



La Esperanza community. Its irrigated vegetable fields allow production of several crop cycles per year.



The president of La Esperanza has become a national co-op leader (president of FECOPAM) and a community leader.



A new home, constructed by a co-op member using profits from vegetable gardening.



Indians near La Esperanza co-op thrash grain near a tarmac road.

### A SUCCESSFUL HIGHLANDS COOPERATIVE

San Fernando Cooperative in Cotopaxi Province is a highly successful cooperative. It operates its own production credit program for members, benefiting from bulk purchases. The cooperative received no AID assistance, although it is located near an AID-funded integrated rural development project which has recently benefited the community.



Co-op members use hired tractor services to deep plow their fields when they can afford it.



Oxen plow a field adjacent to the mechanically plowed field (at left).



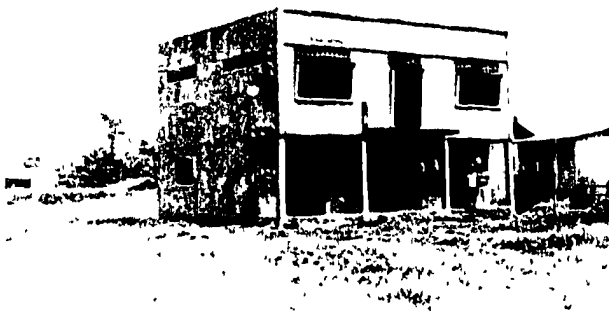
The homestead of the co-op president. A modernized home surrounded by stored fodder and a traditional storage structure.



The extension agent discusses the co-op with an evaluation team member, as a co-op member looks on.

### A RICE COOPERATIVE

Payo Cooperative in Guayas Province is moderately successful. AID contributed a community center and an irrigation infrastructure loan under the project. The irrigation system has never functioned because of poor sloping and canal work. The cooperative places a high priority on installing good irrigation, but must pay back land and production debts first. The loan under the AID program is fully paid.



Payo Community Center, though unfinished, is used for meetings. Downstairs rooms will be used for a shop and an agricultural input supply depot. The building was used as a primary school and for adult literacy classes until a new school was built.



The co-op president explains the problem of paying the mortgage on the land every year, as the manager looks on. This year, the co-op will farm and market a portion of the land communally to make the mortgage payment.



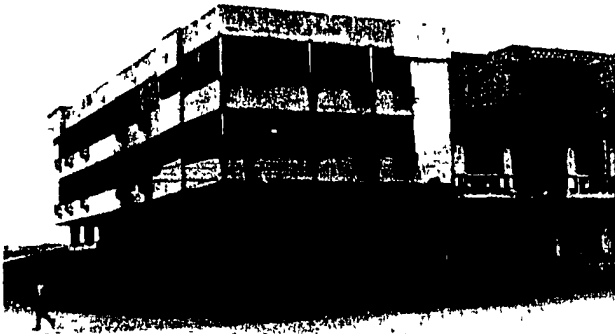
Co-op members have built homes near the community center and some have installed electricity.



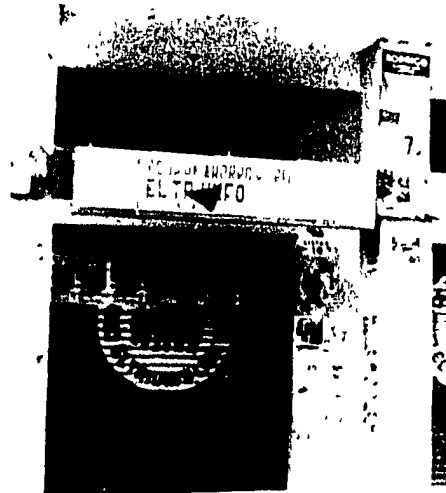
Co-op members hope their rice crop will look like this fully irrigated rice field in another part of Guayas Province.

### A CREDIT UNION

El Triunfo Credit Union in Guayas Province has not functioned for several years because of liquidity problems and internal mistrust. The credit union spent excessive capital to build an office building for rental and its own use. The building was not finished because inflation increased the costs of construction. The credit union received a community center under the AID program.



The partially built office building is said to be worth more than the credit union's mortgage. If it were sold, the credit union could become solvent.



The entrance to the credit union leads to a modest office which is the only finished part of the building.

### A COMMUNITY CENTER



The community center is well maintained and well used. It has become the main local administration building, used by the mayor, police, and a variety of social services.



Triunfo citizens wait outside the community center. In front of the center is the most popular community asset: a volleyball court which is used daily (at left).

B-1

## APPENDIX B

STATISTICAL TABLESTable B-1. Number of Farm Units and Area Cultivated,  
1954 and 1974

Area (ha)	Number of Farms			Area Cultivated		
	1954	1974	Percent- age Change	1954	1974	Percent- age Change
under 1	92,387	145,550	58	46,000	63,263	38
1-5	159,299	201,297	26	386,200	475,405	23
5-10	36,250	54,935	52	271,500	377,756	39
10-12	21,400	41,425	94	294,300	557,535	89
20-50	19,415	42,537	119	591,500	1,311,974	122
50-100	8,327	22,276	168	547,200	1,352,697	147
100-500	5,787	9,657	67	1,156,300	1,676,486	45
500-1,000	664	825	24	464,700	544,454	17
1,000-2,500	464	433	-7	685,300	629,630	-8
over 2,500	241	176	-27	1,556,700	960,203	-38
<b>Total</b>	<b>344,234</b>	<b>519,111</b>	<b>51</b>	<b>5,999,700</b>	<b>7,949,403</b>	<b>33</b>

Note: This tables summarizes changes in land-holding patterns in Ecuador between 1954 and 1974 when the Improved Rural Life Project began. Both the number of farm units and the area under cultivation (or pasture) expanded significantly during this period, and farms over 1,000 hectares have been reduced in both number and area controlled.

Source: Censos Agropecuarios Nacionales, 1954-1974.

Table B-2. Cooperatives in Ecuador,  
1963, 1972, and 1978

Activity	1963		1972		1978	
	Co-ops	Members	Co-ops	Members	Co-ops	Members
Agriculture	234	9,331	326	24,300	1,159	64,330
Fishing	5	112	NA	NA	62	17,480
Industrial Prod.	17	974	NA	NA	59	15,000
Consumption	153	10,158	2	132	48	34,500
Savings & Credit	57	5,374	272	68,000	468	160,000
School	5	499	NA	NA	22	11,246
Transport	133	2,779	143	9,000	544	57,156
Housing	94	6,374	69	7,000	367	66,710
Other	2	206	98	19,900	179	NA
<b>Total</b>	<b>700</b>	<b>35,807</b>	<b>910</b>	<b>128,332</b>	<b>2,908</b>	<b>426,422</b>

Sources: Dieter Denecke et al., Las Cooperativas en America Latina (Zaragoza, Spain: Federation Nacional de Cooperativas de Espana, December 1975), p. 226; Gil Santillan, "Realidad Cooperativa Ecuatoriana," (Instituto Cooperativo Ecuatoriano, December 1978, unpublished monograph).

Table B-3. Agricultural Cooperatives in Ecuador

Name & Location	Purpose	Area (ha)	Date Founded	Members		Technical Assistance	Afiliated Federation	Active as Co-op	Comments
				Founding	Present				
<b><u>Northern Sierra</u></b>									
Cuesaca (Carchi)	Ag/Land	884	1976	82	82	FECOPAM IERAC	-	Yes	Moderately successful, but high yields not attained; good spirit. Own farm machinery; collective forestry project.
Union Santillan (Carchi)	Ag/Land	240	1973	43	43	-	FECOPAM	No	Successful. However, co-op members are formally employed and farm on weekends.
Los Andes (Carchi)	Ag/Land	43	1969	19	19	FECOPAM	-	No	Moderately successful. Co-op is dwarfed by location in large community.
La Esperanza de la Carpuela (Imbabura)	Ag/Land	75	1965	34	34	IERAC, MAG, UCAN FECOPAM	FECOPAM UCAN	Yes	Highly successful. Co-op shifted from sugarcane to vegetables for profitable Quito market. Evidence of high income.
<b><u>Central Sierra</u></b>									
San Fernando (Cusubamba, Cotopaxi)	Ag/Land	130	1968	14	30	IERAC, IRD MISION ANDINA TEACHER	FECOPAM	Yes	Moderately successful. Co-op has own credit program and cultivates communally and individually.
La Torre, Juan Velasques, (Chimborazo)	Ag/Land	350	1972	11	11	CESA INIAP	-	Yes	Moderately successful. Co-op owns two tractors and farms all land communally.
<b><u>Coffee Zone</u></b>									
Malvas (El Oro)	Coffee Marketing	N/A	1964	125	57	PNC FENECAFE UNCOOPORO	FENECAFE UNCOOPORO	No	Not evaluated because people work in gold mine and only harvest coffee when prices are high.
Torata (El Oro)	Coffee Marketing	N/A	1967	N/A	60	PCN FENE- CAFE UNCOOPOR	FENACAFE UNCOOPORO	No	Not evaluated because people work in gold mine and only harvest coffee when prices are high. Problem with diseased coffee trees.



Table B-3. Agricultural Cooperatives in Ecuador (continued)

Name & Location	Purpose	Area (ha)	Date Founded	Members		Technical Assistance	Affiliated Federation	Active as Co-op	Comments
				Founding	Present				
<b>Coast</b>									
Miguel Salazar Buena Vista (El Oro)	Ag/Land	5000	1963	70+	30	IERAC PPEA	No	Min'l	Unsuccessful. Many members sold out to avoid foreclosure. Has large debts.
Carlos Julio Arosemena <sup>a</sup> Churute (Guayas)	Ag/Land	300	1970	42	25	IERAC FENACCOOPARR	FENACCOOP-ARR	No	Unsuccessful. Low yields and profits. Trying to get individual titles.
Payo <sup>a</sup> (Triunfo, Guayas)	Ag/Land	314	1969	34	34	FETAL, CTE SECAP	No	Yes	Moderately successful. Poor technical advice with past loans.
15 de Noviembre <sup>a</sup> (Colimes Balzar, Guayas)	Ag/Land	40	1970	12	12	IERAC FECOPAM FODERUMA	FECOPAM	Yes	Unsuccessful. Only co-op with no modern inputs or mechanization. Poor technical advice with loans. Subsistence only.
San Felipe <sup>a</sup> (Colimes Balzar Guayas)	Ag/Land	500+	1966	16	16	FENACCOOPARR MAG	FENACCOOP-ARR	Yes	Successful. Very competent technically and managerially. All land farmed communally. Co-op owns 400+ cattle.
Rio Ruidoso <sup>a</sup> (Churute, Guayas)	Ag/Land	N/A	1969	14	32	FENACCOOPARR IERAC	FENACCOOP-ARR	No	Unsuccessful. Co-op suffering from debt; poor engineering under AID project.
San Lorenzo (Pimocha, Los Rios)	Ag/Land	842	1970	47	106	IERAC CEDOC	CEDOC	Yes	Successful. High levels of production. Repaid 6 agricultural loans. New tractor loan.
13 de Enero (Daule, Guayas)	Ag/Land	72	1971	14	14	CEDOC, BNF PNA CEDEGE	ACAL	Yes	Moderately successful. Reasonable production attained. Affiliated with FECOPAM and sells rice to FECOPAM mill.

Table B-3. Agricultural Cooperatives in Ecuador (continued)

Name & Location	Purpose	Area (ha)	Date Founded	Members		Technical Assistance	Affiliated Federation	Active as Co-op	Comments
				Founding	Present				
<b>Coast (continued)</b>									
Alianza Definitiva (Daule, Guayas)	Ag/Land	N/A	1971	75	75	CEDOC CESA	ACAL	Yes	Successful. Highest rice yields in region because of assistance from CESA.
Venecia, Cataraga (Los Rios)	Ag/Land	N/A	1972	15	12	MAG PNA	-	Yes	Unsuccessful. Poor yields. Manager fired for corruption
Roblecito Ricaurte, (Los Rios)	Ag/Land	N/A	1971	43	43	MAG/BNP FENACOPARR	FENA- COOPARR	Yes	Successful. Very competent technically and managerially. Many services.

<sup>a</sup>Received assistance under Improved Rural Life.

Table B-4. Credit Unions in Ecuador

Name and Location	Date Founded	Members		Technical Assistance	Affiliated Federation	Functioning as Co-op	Comments
		Founding	Present				
Carchi, Ltd. (Tulcan)	1964	70	4,800	FECOAC	FECOAC	Yes	Successful. Provides credit throughout Carchi Province.
Sta. Teresita (Julio Andrade, Carchi)	1964	100	0	FECOAC Church	-	No	Unsuccessful. Started as FECOAC pilot project. Collapsed in 1979 because of mismanagement and corruption. Many members lost savings.
Union y Progreso (Pasaje, El Oro)	1967	15	6,000	FECOAC ICE	FECOAC	Yes	Successful. 70% of loans are agricultural. Has a commissary; offers life insurance.
El Triunfo (Guayas)	1969	30	900	FECOAC	FECOAC	Yes	Unsuccessful. Not functioning but has assets (unfinished building) and unpaid loans. Members lost savings.
Puebloviejo (Puebloviejo, Los Rios)	1968	26	1,500	FECOAC	FECOAC ICE	Yes	Successful. Publishes annual report. Has funds to establish a commissary.
Riobamba, Ltd. (Chimborazo)	1972	60	1,900	-	FECOAC	Yes	Successful. 60% of loans are agricultural.
Oscar Efrén Reyes, Ltd. (Banos, Tungurahua)	1974	12	54	-	FECOAC	Yes	Successful. Limited to school teachers.
John F. Kennedy (Cevallos, Chimborazo)	1977	N/A	None	-	N/A	No	Unsuccessful. Created by several communities. Dissolved in 1983 by Government because of bad management. Members lost savings.
San Francisco, Ltd. (Quito)	1965	62	165,000	FECOAC CUNA	FECOAC	Yes	Successful. Founded with capital of S/5,985; now has S/6 billion. 20% of loans are for agriculture. Co-op has 13 branch offices in Ecuador.
13 de Abril (Balzar, Guayas)	1965	N/A	None	FECOAC	-	No	Unsuccessful. Dissolved about 1 year ago when manager, president, and others departed with funds. Case is being litigated.

Table B-5. Cooperative Agricultural Services in Ecuador

Cooperative	Crops	Live-stock	Source of Credit	Technical Assistance	Mechanization	Irrigation	Marketing	Hired Labor	Hectares Cultivated in Common	Modern Inputs
Cuesaca (Carchí)	Wheat Onions Beans	Yes	BNF	FAO	Yes	Yes	Yes	Yes	300	Yes
Union Santillan (Carchí)	Maize Beans	No	BNF S & L	FAO FECOPAM	Yes	Yes	No	Yes	None	Yes
Los Andes (Carchí)	Beans Maize Vegetables	Yes	BNF S & L	FECOPAM	No	No	No	Yes	None	Yes
La Esperanza de la Carpuela (Imbabura)	Vegetables Avocados Citrus	No	BNF UCAN	FECOPAM	Yes	Yes	No	Yes	None	Yes
Malvas (El Oro)	Coffee	N/A	BNF Private	PNC FENECAFE	N/A	N/A	Yes	Yes	None	No more
Torata (El Oro)	Coffee	N/A	BNF	PNC FENECAFE	N/A	N/A	Yes	Yes	None	No more
Miguel Salazar (Buena Vista, El Oro)	Cacao Banana	Yes	BNF Co-op Bank S & L	N/A	No	None	No	Yes	None	N/A
Carlos Julio Arosemena <sup>a</sup> (Churute, Guayas)	Rice	No	PPEA BNF	None now MAG/FEP	Yes	No	No	Yes	None	Yes
El Payo <sup>a</sup> (Guayas)	Rice Maize Vegetables	No	BNF PPEA	No	Yes	Yes	No	Yes	Yes (60)	Yes
San Lorenzo (Pímoche, Los Ríos)	Rice	Yes	BNF CARE (seeds)	No	Yes	No	No	Yes	Yes	Yes
15 de Noviembre <sup>a</sup> (Colimes Balzar Guayas)	Rice Cacao	No	BNF	MAG	No	Yes	No	No	No	No
San Felipe <sup>a</sup> (Colimes Balzar, Guayas)	Rice	Yes	BNF Distri- butors	Yes	Yes	Yes	No	Yes	Yes (all)	Yes
Rio Ruidoso <sup>a</sup> (Churute, Guayas)	Rice	Yes	BNF	None now MAG	Yes	No	No	Yes	None	Yes
El Roblecito Ricaurte (Los Ríos)	Rice Soybeans Corn	Yes	BNF Co-op Bank Distri- butors	None	Yes	N/A	Yes (little)	None	Yes	Yes

<sup>a</sup>Received assistance under Improved Rural Life.

Table B-6. Agricultural Cooperatives: Social Services

Cooperative	School		Housing	Health Center	Potable Water	Electrification	Latrines (sewer)	Community Center	Cooperative Instrumental in Obtaining Services
	Primary	Second.							
Cuesaca (Carchi)	Yes	No	Some	No	Yes	Yes	Minimal	Yes	Yes
Union Santillan (Carchi)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Los Andes (Carchi)	Yes	Yes	Yes	Yes	Yes	Some	Some	N/A	No
La Esperanza de la Carpuela (Imbabura)	Yes	Yes	Yes	Yes	Planned	Yes	Some Leaders	Planned	Some
Malvas (El Oro)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Torata (El Oro)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Carlos Julio Arosemena <sup>a</sup> (Churute, Guayas)	Yes	No	No	No	N/A	Yes	No	Yes	Partially
El Payo <sup>a</sup> (Guayas)	Yes	No	Yes	No	No	Some	No	Yes	Yes
San Lorenzo (Pimocha, Los Rios)	Yes	Yes	N/A	Yes	N/A	Yes	No	No	No
15 de Noviembre <sup>a</sup> (Colimes Balzar, Guayas)	Yes	No	N/A	No	No	No	No	No	No
San Felipe <sup>a</sup> (Colimes Balzar, Guayas)	Yes	No	No	No	No	Yes	No	Yes	Yes
Rio Ruidoso <sup>a</sup> (Churute, Guayas)	Yes	No	No	No	No	No	No	No	No
El Roblecito (Ricaurte, Los Rios)	No	N/A	No	No	Yes	N/A	No	No	N/A

<sup>a</sup>Received assistance under Improved Rural Life.

Table B-7. Improved Rural Life Activities (Sierra)

Activity	Name of Group	Location		Cost of Activity (in sucres)
		Province	Town	
Casa Comunal <sup>a</sup>	Comuna Huachi-Totoras	Tungurahua	Totoras	50,000
Casa Comunal	Alianza para el Progreso	Pichincha	Sto. Domingo	24,400
Tailoring	Comuna Independencia	Pichincha	Sto. Domingo	20,000
General Store	Comuna Valle Hermoso	Pichincha	Sto. Domingo	20,000
Cheese Factory	Cooperativa San Miguel	Azuay	Jima	174,400
General Store	Comuna Julio Moreno	Pichincha	Sto. Domingo	28,000
General Store	Copesap	Tungurahua	Pillaro	200,000
Tailoring	Comuna Coyagal Toglea	Pichincha	Coyagal	60,000
Casa Comunal	Comuna S. Francisco Tola	Pichincha	Tumbaco	70,000
General Store	Comuna 4 Octubre	Pichincha	Pintag	30,000
Potable Water	Escuela	Pichincha	Chiriboga	50,137
Access Road	Centro Capacitación	Pichincha	Conocoto	200,050
Casa Comunal	Comuna Josefina	Pichincha	Pto. Quito	70,000
Casa Comunal	Comuna Pillaro	Tungurahua	Pillaro	85,150
Access Road	Comuna Teligote	Tungurahua	Teligote	60,000
Potable Water	Comuna Olmedo Torres	Caffar	Biblián	95,200
Access Road	Comunas Echandia	Bolívar	Echandia	48,000
Potable Water	Comuna Santa Lucía	Bolívar	Santa Lucía	35,000
Casa Comunal	Com. S. Vicente	Bolívar	Llullundongo	80,000
Casas Comunes	Several Comunas in Quero	Tungurahua	Quero	476,000
Casa Comunal	Comuna Shacundo	Bolívar	San Simón	53,300
Electrificación	Machachi	Pichincha	Machachi	153,233
Study	Federacion Shuara	Morona	Macas	65,000
Electrification	Comuna Lahuatan	Bolívar	San Miguel	25,000
Casa Comunal	Comuna Gradas	Bolívar	San Simón	40,000
Casa Comunal	Comuna Esperanza	Carchi	Tufiño	100,000
Access Road	Barrio Chilpecito	Pichincha	Checa	131,250
Potable Water	Barrio Chilpecito	Pichincha	Checa	35,788
Access Road	Barrio Churoloma	Pichincha	Churoloma	75,000
Electrification	Barrio Tejar	Pichincha	Uyumbicho	288,110
General Store	Comuna San Rafael	Cajar	San Rafael	20,000
Potable Water	Comuna Quilloag	Cajar	Quilloag	125,000
				2,908,018
				= US\$116,300

<sup>a</sup>Casa Comunal is a building used as a community center for multiple activities; it includes meetings, warehouses, shops, and temporary schools.

Table B-8. Improved Rural Life Activities (Coast)

Activity	Name of Group	Location
School Repair, Electric Welder	Escuela Hugo Suárez Baquerizo	Naranjito
Community Center, Warehouse, Access Road	Co-op Sara Guerrero	Palenque
Rice Mill, Warehouse	Co-op Rio Ruidoso	Taura
Community Center, Garden, Cement Block	Comuna La Chiquita	Milagro
Community Center, Garden, General Store	Co-op Carlos Julio Arosemena	Churute
General Store, Center for Housewives	Comuna de Chongon	Chongon
Community Center, Garden, Poultry	Comuna Los Mangas	Sta. Elena
Community Center, Cement Block, Garden	Co-op El Exito	Milagro
Access Road, Rice Mill	Co-op La Barranca	Tarita
Access Road, Com- munity Center	Co-op San Felipe	Balzar
Community Center, Garden	Co-op Mirador	Naranjal
General Store	Co-op S.Vicente Ferrer	Milagro
Cement Block, Road, Rice Mill	Co-op Las Pampas	Balzar
School Repair	Comuna Monte Verde	Sta. Elena
Community Center	Co-op Payo	El Triunfo
Center for Housewives	Comuna Puerto La Chiquita	Yaguachi
School	Comuna Loma Alta	Sta. Elena
Community Center	Comuna El Azúcar	Sta. Elena

Table B-8. Improved Rural Life Activities (Coast)  
(continued)

Activity	Name of Group	Location
School	Comuna Rio Seco	Rio Seco, Sta. Elena
Community Center	Comuna Petrillo	Daule
Community Center	Co-op Pifial	Daule
Community Center	Co-op San Vicente	Vinces
Community Center, Access Road	Co-op 15 de Noviembre	Balzar
Center for Housewives	Community of Pisagua	Montalvo
Artisan School	Community of Limones	Daule, Limones
Access Road	Co-op Amelis María	Tarifa
Access Road (Bridge Improvement)	Co-op Fawller, San Francisco & Israel	Tenguel
4-H Artisan Shop	Comuna Barcelona	Sabana Grande, Sta. Elena
Yucca Processing Equipment	Co-op 2 de Junio	Balzar
Cement Block	Co-op San Fernando	Milagro
Garden	Co-op Cristóbal Colón	
Poultry	Comuna San José de Amén	
Poultry	Comuna Saya	Sta. Elena
General Store	Comuna Juntas del Pacífico	Sta. Elena
General Store	Comuna Sacachun	Sta. Elena
Medical Dispensary	Community of Cove	Yaguachi
Medical Dispensary	Co-op Centinela	Palestina
Cement Block	None	Zona de Sta. Elena
Fish Meal Equipment	Association of Small Fish Meal Processors	Zona de Sta. Elena



APPENDIX C

METHODOLOGY AND SMALL FARMER SURVEY

by Helen Soos and J. Jude Pansini

The five-member evaluation team represented backgrounds in economics, agricultural economics, anthropology, and management/nonformal education. During our 4 weeks in Ecuador, we had to make rapid decisions about how to assess a cooperative project that did not seem to resemble other integrated rural development projects and that extended throughout a country of geographic and social contrasts.

The focus of the evaluation presented the first set of thorny issues: The Improved Rural Life (IRL) program was designed to help campesino farmers who were organized into agricultural cooperatives to meet basic needs. However, the project was not implemented systematically with respect to either services or cooperatives. In fact, many other community organizations received services, not only cooperatives.

Nevertheless, we decided to proceed with the original mandate: could agricultural cooperatives serve as a model for integrated rural development? We planned to review relevant aspects of the cooperative projects funded by AID, with attention to the Improved Rural Life component when it came up within the cooperative context. We believed it essential to consider credit unions, the single most successful aspect of cooperative development in Ecuador.

After a week in Quito meeting with existing cooperative federations and past Agency for International Development (AID) and Government of Ecuador project managers, we moved into the field to visit a representative mix of agricultural cooperatives, credit unions, and IRL activities. We believed that IRL activities should also be reviewed in some non-cooperative settings to observe any differences. Our task was complicated by the fact that only three agricultural cooperative federations still existed: the Federation of Savings and Loan Cooperatives (FECOAC), the Federation of Production and Marketing Cooperatives (FECOPAM), and the National Coffee Federation (FENACAFE).

The federations provided lists of cooperatives by location, but the lists were outdated. When we arrived in a community and found the cooperative no longer existed, we stayed to talk to cooperative leaders and members to find out what had happened. We also perused project documentation and located many defunct rice cooperatives that had participated in the Program to Promote Agricultural Enterprises (PPEA). We also randomly visited both

successful and failed cooperatives, not knowing until we met with their members into which category they would fall.

The bias inherent in this process of selecting cooperatives was that we did not include unaffiliated cooperatives. There are hundreds of such cooperatives, according to overall statistical information, but no one could provide a list. The fact that AID did not assist unaffiliated cooperatives lessened the effect on our evaluation of failing to consider them (although they would have been a useful control group).

The team traveled first to the Northern Sierra provinces of Carchi and Imbabura. After meeting with a large credit union that serves the entire province and examining an IRL activity, we visited our first cooperative. We were treated to a classic review of the well-studied Santa Teresita savings and loan cooperative in Julio Andrade, the pilot credit union cooperative that had participated in the directed agricultural credit program. The wife of the former president hosted a meeting in her kitchen, calling in people who had witnessed the rise and fall of the cooperative. In other communities, as well, during the rest of the trip, cooperative members, leaders, and former members were interested in sharing their views on what their cooperative had accomplished.

We traveled to El Oro Province, where coffee producing cooperatives once thrived but have given way to a gold rush which provides greater economic returns, and where banana and cocoa plantations continue to dwarf small farm production. In Guayas and Los Rios Provinces, we explored rice cooperatives and were challenged by the vast differences that existed within close proximities. Finally we reached the Central Sierra, with its snow-capped peaks and Indian-dominated culture.

Selection of a control group was difficult. We considered communities with no cooperatives but with resources and cultural characteristics similar to those in which the cooperatives were located, but we did not have time to identify such communities. We considered comparing land-acquisition cooperatives to other agricultural cooperatives, but we found that nearly all agricultural cooperatives have been land-acquisition cooperatives. We finally chose as a control group peasants who were not cooperative members but who lived in the same communities as cooperative members, because the experience of this group probably approximates what that of cooperative members would have been without participation in the cooperative.

During our fieldwork we made an effort to hone our skills as rural development tourists. We made no appointments except in Quito and Guayaquil. We spoke with cooperative leaders, members, former members, and nonmembers, but unfortunately not with all

types in all places. We walked through fields, entered homes, and asked about historical trends and general perceptions of well-being. Our efforts to move away from paved roads were often undermined by the remarkable development Ecuador has experienced during the past decade: some of the sites we chose for their remoteness were reached on paved roads leading to thriving rural market towns.

To acquire additional socioeconomic information, we decided to conduct a survey of small farmers in seven cooperative communities selected from four regions. Both cooperative members and nonmembers were surveyed. The purpose of the survey was to seek information on the differences between the project beneficiaries and a plausible control group and to serve as a check on our fieldwork in these seven communities.

The survey was conducted in the following cooperative communities:

Carchi Province (Sierra)	Cuesaca, Parroquia Bolivar, La Esperanza, Parroquia Ambuqui
Cotopaxi Province (Sierra)	San Fernando, Parroquia Cusubamba
Guayas Province (Coast)	Carlos Julio Arosemena, Parroquia Narnjal, Payo, Parroquia El Triunfo
Los Rios Province (Coast)	San Lorenzo, Parroquia Pimocha Roblecito, Parroquia Ricaurte

The survey was administered to about 130 Ecuadoreans, of whom more than half were cooperative members. The team was skeptical about using a "quick and dirty" survey to search for differences between cooperative members and non-cooperative members but decided that weak data were preferable to no data. Recognizing that quantitative income data were impossible to collect, we decided to concentrate on collecting types of quantitative data that were not likely to unduly burden our subjects and to supplement the data with qualitative impressions. The more reliable indicators of welfare turned out to be the amount of land controlled and cultivated, the amount of money spent on food each week, and the types and amounts of loans.

In retrospect, the survey helped us to confirm some impressions and to discard others. More important than the survey findings was the first-hand knowledge obtained by our Ecuadorean research assistants who administered the survey. This knowledge of the cooperative, the community, and the economic and social life in the community served as a valuable crucible for the team's findings and conclusions.

The results of the survey show that cooperative members are consistently better off than non-cooperative members for all seven communities sampled. They have more land and cultivate a greater portion of it; they spend more on food; and their use of credit is greater (larger amounts are borrowed) and is primarily for production purposes (in contrast to consumption or personal).

The surveys also uncovered differences in food expenditure between the Sierra highlands (where people grow a wide variety of foods which are easily stored and therefore do not need to purchase as much food) and the coast (where monocultures prevail and food spoils easily). We also found wages are consistently and significantly higher in the coastal areas. Finally, we found that non-cooperative members in the Sierra highlands own and control almost as much land as cooperative members and that cooperative members have traditionally acquired land individually as well as through the cooperative. In contrast, non-cooperative members in coastal areas tend to own no land; generally they have moved to the coast because of relatives who acquired land through a cooperative. Thus, there tends to be a greater income disparity between cooperative and non-cooperative members in the coastal areas than in the Sierra highlands.

Although we covered a lot of territory and interviewed many farmers, we were humbled by the limitations of rapid rural appraisal and by the magnitude of social and economic factors that have operated alongside the cooperative movement in Ecuador. We developed many insights into cooperativism in Ecuador but cannot pretend to understand the full impact of AID's cooperative projects or how land reform cooperatives would have evolved without these projects. As the 4 weeks drew to a close, we were satisfied that we had covered a representative sample of cooperatives reflective of the project's geographic resource allocation. We were also satisfied that we had uncovered much of the impact agricultural cooperatives and credit unions have had in Ecuador.

## APPENDIX D

AID AND THE COOPERATIVE MOVEMENT IN ECUADOR

by Clemence J. Weber

1. AID ASSISTANCE IN BRIEF

The purposes of AID's assistance to the cooperative movement in Ecuador were (1) to establish self-sufficient cooperative federations to provide support for the growth of the cooperative movement and (2) to help individual cooperatives and their members to benefit from increased social and economic participation in the development process.

The major accomplishments of this assistance include the following:

1. A significant number of agricultural cooperatives have assisted their members to improve their incomes and to participate more fully in the development process.
2. A strong credit union movement has done much to mobilize rural savings to the benefit of many small farmers and rural poor.
3. The Federation of Savings and Loan Cooperatives (FECOAC) provides support for the growth and improvement of the cooperative movement.
4. Trained leaders have contributed to the development of their communities.

The major failures of the assistance effort were as follows:

1. Failures of the National Federation of Rice Cooperatives (FENACCOOPARR) and other agricultural cooperatives engendered feelings of suspicion and mistrust of cooperatives.
2. Local cooperatives and their members have been left with large debts because of poor administration of AID-financed credit programs.
3. Existing federations of agricultural cooperatives are not self-sufficient and do not provide support for growth and improvement of the cooperative movement.

## 2. FIFTEEN YEARS OF AID ASSISTANCE: THE PROGRAMS AND THEIR RESULTS

Direct AID assistance to cooperative development in Ecuador was provided through six distinct projects, three loans and three grants, during the 15-year period from 1962 through 1976. One of these projects (support to the Centre de Reconversion del Austro) was not in the mainstream of AID's cooperative development efforts, so the evaluation team did not consider it in this evaluation. The other five projects were as follows:

1. Technical Assistance Agreement with the Government of Ecuador under the Alliance for Progress, signed in 1962, to promote credit unions with Credit Union National Association (CUNA) assistance.
2. Cooperative Bank Loan (CAP AID-LA/P-50), signed in 1965, to increase agricultural and industrial production through cooperatives and to further develop the credit unions.
3. Institutional Development-Agricultural Cooperatives Project (No. 518-15-995-096.1), initiated in 1966 to raise the income of those who live on the margin of society and to maximize the participation of all Ecuadoreans in the development process. The purpose of the project was to establish a self-sufficient agricultural cooperative infrastructure (a) to provide continued support for the growth and improvement of the agricultural cooperative movement through the use of both internal and external resources, and (b) to assist individual cooperatives and their members to meet more complex social and economic problems arising from their increased participation in the development process.<sup>1</sup>
4. Ecuador Cooperative Bank--Second Loan (CAP AID-DLC/P-842), signed in 1969, to shift Cooperative Bank activity away from credit union financing and toward agricultural credit through agricultural cooperatives.
5. Land Sale Guaranty Loan (Project No. 510-1-032) to guarantee the sale of land from landlord to tenant and support the development of rice cooperatives on the coast through credit and technical assistance.

The most notable of the organizations and programs that AID supported through these projects were the following:

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<sup>1</sup>AID, Project Paper Revision No. 2, October 27, 1975.

- Federation of Savings and Loan Cooperatives and Directed Agricultural Credit Program (DAPC)
- The Cooperative Bank
- National Federation of Coffee Cooperatives (FENACAFE)
- National Federation of Rice Cooperatives (FENACoopARR)
- Federation of Agricultural Production and Marketing Cooperatives (FECOPAM)
- Program for the Promotion of Agricultural Enterprises (PPEA)

Each is discussed in the sections that follow.

## 2.1 Federation of Savings and Loan Cooperatives and Directed Agricultural Production Credit (FECOAC and DAPC)

AID began its cooperative involvement in Ecuador with a technical assistance agreement to promote the organization of credit unions. There were only four in Ecuador in 1961. CUNA, the U.S. credit union federation, was contracted to assist in setting up a federation of credit unions. FECOAC, legalized in June 1963, was organized by CUNA to facilitate and support the development of credit unions.<sup>2</sup>

AID continued its assistance to FECOAC under the Institutional Development-Agricultural Cooperatives project through 1975. This assistance was principally in the form of technical assistance (provided by CUNA until 1972 and by CLUSA thereafter) and budget support to promote rural credit unions that could provide agricultural credit.

The Directed Agriculture Credit Program began in 1965 as an AID initiative. It established a directed agriculture credit program implemented by FECOAC for small farmer members of credit unions. AID supported the DAPC pilot project with technical assistance and funding for FECOAC administrative costs until 1975. AID also financed a significant portion of the DAPC loans through two separate \$1.2 million loans to the Cooperative Bank.

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<sup>2</sup>Judith Tendler, "Inter-Country Evaluation of Small Farmer Organization" (Washington, D.C.: U.S. Agency for International Development, 1976), p. 7.

The program sought to make short- and medium-term production credit available to farmer members with no alternative access to agricultural credit. Although farmers could borrow up to 10 times the value of their savings invested in the cooperative (as compared with the normal cooperative restriction of three times savings), they had to agree to accept periodic technical supervision as well as to prepare a detailed farm production plan specifying credit use.

A 1975 assessment of the program summarized the implementation experience as follows:

The DAPC program has fallen considerably short of the expectations of its founders. On the one hand, most farmers welcome neither the requirements of farm plan preparation nor close technical supervision of credit use. They would rather receive a loan no greater than three times their savings, but spend it as they see fit, than be given credit on a ten-to-one basis but under close supervision.

On the other hand, the DAPC cooperatives themselves have demonstrated a reluctance to hire personnel for farm supervision functions, and the already scarce supply of local farm extension agents has not been eager to take on additional supervision responsibilities on behalf of the cooperatives. Ten extension agents made available on a part-time basis by Ecuador's Ministry of Agriculture could not begin to meet the technical personnel requirements of a program that embraces 28 cooperatives with 5,700 farmer-members.

In reality, the program provides "directed" credit in name only. DAPC loans are still financed with outside, non-cooperative capital, but there is little or no supervision of credit use. Production plans are prepared but not enforced. The large majority of loans do not exceed the 3-to-1 restriction ratio of ordinary cooperative lending. Notwithstanding these limitations, the program still has managed to provide important services to small farmers.<sup>3</sup>

Many of the cooperatives had difficulty in recuperating the DAPC credits, and this led to the disintegration of several of them.

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<sup>3</sup>Development Associates, Inc., Strategies for Small Farmer Development, Vol. II, May 1975, p. I-15.



FECOAC never received AID funds for credit (AID funds for the DAPC program were channeled through the Cooperative Bank), yet its comparative role in agricultural credit was quite impressive by 1974. During that year, its agricultural lending was 50 percent greater than that of the Cooperative Bank and almost equal to that of the PPEA program.<sup>4</sup>

Since 1976, when AID terminated assistance to FECOAC, the savings and loan cooperative movement has achieved impressive growth. It consists of approximately 500 savings and loan cooperatives with a membership of nearly 2.5 million. Several savings and loan cooperatives have developed into powerful financial institutions.

The financial operations of the largest, Cooperative San Francisco de Asis, surpasses that of many Ecuadorean private banks. Located in Quito, it has a membership of nearly 165,000, over \$18 million in capital, and 13 branch offices. This cooperative, as well as most of the very large ones, is primarily urban based. However, the Assistant Manager of San Francisco reported that about 20 percent of its loans are for agriculture. Many other savings and loan cooperatives are based in rural market towns, with farmers constituting a high percentage (often over 50 percent and sometimes as high as 80 percent) of their clients. For example, the Cooperative Carchi had 3,854 members and \$820,000 in outstanding loans as of December 31, 1983. According to cooperative staff, approximately 80 percent of its loans are for agriculture.

Data on FECOAC affiliates give some idea of the significance of the savings and loan cooperative movement. During 1983, FECOAC affiliates captured savings of over \$50 million and made loans totaling more than \$67 million. The volume of financial operations by savings and loan cooperatives is somewhere in the neighborhood of 3 to 5 percent of that of the entire Ecuadorean private banking system. Yet, the paid-in capital and reserves of savings and loan cooperatives are about 10 percent of that of the private banking system. Perhaps of more significance is that their volume of operations is four to five times that of the Cooperative Bank, which AID set up to finance all types of cooperatives.

In terms of mobilization of rural savings, there is no question that the savings and loan cooperative movement dwarfs anything that agricultural cooperatives have done. Based on available information, about 50 percent of the movement's activities take place in rural areas, and 50 percent are directly related to agriculture.

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<sup>4</sup>Tendler, p. 7.

While individual savings and loan cooperatives thrived, FECOAC regressed and stagnated. It reached its peak about 1972 when it provided cooperative formation and development services and leadership to 272 affiliated cooperatives. Then both FECOAC and some of its affiliates began to experience internal dissension along with financial problems related to administration and credit recuperation. These problems became serious, particularly for FECOAC, shortly after one of its principal AID-trained leaders left in 1974. AID terminated assistance in 1976, and FECOAC required Government intervention between 1977 and 1980. When the AID-trained leader returned in 1981, he was invited by the movement to try to reorganize the Federation and get it back on its feet.

The 1983 Annual Report of the Federation includes an accurate analysis of its deficiencies. It cites administrative and structural deficiencies, scarce economic resources, and inadequate programming of services as the causes for the Federation's failure to meet its objectives during the past decade.

FECOAC still exists for three reasons:

1. By law, savings and loan cooperatives must be affiliated with the Federation. Although many cooperatives do not comply, those that can afford it and want to be on the safe side do.
2. FECOAC is necessary to link the Ecuadorean savings and loan movement to international assistance organizations such as the Confederation of Latin American Credit Unions (COLAC) and international financial institutions such as the Inter-American Development Bank (IDB).
3. Most important, it provides a channel for political pressure to defend the movement against competition. As the savings and loan movement has grown, the private banking community has begun to recognize it as a potentially strong competitor.

## 2.2 The Cooperative Bank

The Cooperative Bank came into existence as a result of a CUNA attempt to obtain AID financing for a supervised credit program directly through FECOAC. Although AID approved the concept, it opted for the establishment of the Cooperative Bank and authorized a US\$1.2 million loan in 1965. The purposes of the loan, and the Bank, were to increase agricultural and industrial production through cooperatives and to further develop the credit unions. AID also provided a grant-funded resident U.S. adviser to

the Bank for a 3-year period at the onset and again for approximately 2 years during 1971-1972. The first loan was disbursed entirely 2 years after it was approved.

During the first 5 years of operation, 91 percent of loan commitments by the Cooperative Bank were to credit unions, while agricultural cooperatives received only 5 percent. To shift the Bank's activity toward agriculture cooperatives and small farmers, AID approved a second loan of US\$1.2 million in 1969 to be directed entirely to agriculture. This strategy had the effect of reducing the portion of the Bank's loan portfolio going to credit unions and increasing the percentage going to agricultural cooperatives. However, it did not result in an increase in lending to small farmers, the objective of the second loan.

The Cooperative Bank has survived because it has functioned like a commercial bank. It lends primarily to larger established cooperatives. The requirement that eligible borrowers must pay in capital of 100,000 sucres (S/) precludes most small agricultural cooperatives from receiving loans. They have turned to the National Development Bank for credit.

### 2.3 National Federation of Coffee Cooperatives (FENACAFE)

In 1966, AID support for cooperative development in Ecuador shifted from credit unions to agricultural cooperatives. AID contracted with CLUSA to promote and organize (1) coffee marketing cooperatives, (2) regional unions to promote exports, and (3) a national federation (FENACAFE) for securing coffee export quotas. When AID support was terminated in 1969, FENACAFE consisted of 50 cooperatives, 5 regional unions, and a membership of over 5,000 farmers cultivating 25,000 hectares of coffee. It marketed 17 percent of the Ecuadorean coffee export quota plus nonquota exports worth a total of \$5 million. It owned one processing plant and rented two. FENACAFE appeared to have the self-sufficient cooperative infrastructure AID was seeking to establish. However, soon after the period of AID/CLUSA assistance, FENACAFE was taken over by the Government because of member disinterest and the selling by members of their coffee export quotas to larger growers.

The Federation later started up again on its own. Today it consists of base-level cooperatives and one regional union (UCOOPORO) and is allocated 25 percent of the export quota. It is again suffering from accusations of misuse of its export quotas.

## 2.4 National Federation of Rice Cooperatives (FENACoopARR)

In 1968, work was initiated in the Guayas River Basin on the formation of the National Federation of Rice Cooperatives (FENACoopARR). The first 2 years of the project were dedicated to the promotion, organization, and legalization of cooperatives; the acquisition of land for the cooperatives; and the formation of the federation. (The Land Sale Guaranty Loan was designed to further land acquisition by cooperative members, but its implementation was delayed and its focus changed, as discussed below.)

FENACoopARR was legalized in late 1970, and during the following year the Federation concentrated on promotional and technical assistance activities. However, in 1972 a full-time CLUSA adviser began his services to FENACoopARR (supported by AID) for the purpose of shifting the primarily promotional activities into commercial, income-producing ones that would lead to financial viability. FENACoopARR leadership felt that promotional activities and legal assistance for land acquisition were crucial in gaining peasant allegiance. Conflicts related to these differing views and AID's desire to tighten control on the use of U.S. funds led to the Federation's refusal to renew its project agreement with AID in 1973.<sup>5</sup> This ended AID assistance to FENACoopARR.

At the time, FENACoopARR financed 15 percent of its operations. It provided services in marketing, farm supply, accounting and auditing, loan request preparation, land tenure, cooperative education, and agricultural extension (through the Ministry of Agriculture) to some 30 legalized cooperatives.<sup>6</sup> It is interesting, in light of its alleged different view, that FENACoopARR had begun, and continued, to concern itself more with income-producing services than with peasant organization. This, combined with the fact that FENACoopARR paid no more than the official price for rice, eventually led rice farmers and cooperative members to say that FENACoopARR was only interested in itself and not them.<sup>7</sup> Also, the FENACoopARR manager had become heavily involved in politics as a result of the land-acquisition and rice marketing activities. In 1975, the spoilage of a large quantity of rice, purchased on consignment by FENACoopARR from its members and used to guarantee two bank loans, led to a multi-

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<sup>5</sup>Project Paper Revision No. 2.

<sup>6</sup>Project Paper Revision No. 1, August 3, 1974.

<sup>7</sup>Tendler, p. 81.

million sucre financial mismanagement scandal and Government intervention. FENACOPARR has since ceased operations.

## 2.5 Federation of Agricultural Production and Marketing Cooperatives (FECOPAM)

FECOPAM was founded in 1968 under the initiative of the Ecuadorean Institute of Agrarian Reform and Credit (IERAC) to support land-acquisition cooperatives in the Sierra. The base cooperatives did not understand the concept of a federation and were not willing (or able) to capitalize it. Therefore, IERAC financed FECOPAM until 1971. Then the National Directorate of Cooperatives intervened and asked AID, through the CLUSA contract team, to reorganize the Federation. CLUSA provided technical assistance and the Ministry of Agriculture provided financing. The AID program stressed commercial operations, such as input sales and marketing, as well as fees for services to help the organization become financially self-sufficient.

Although FECOPAM was credited with 59 member cooperatives and 2,788 members in 1974, the lack of understanding or confidence of local cooperatives and managers in regard to the Federation was never overcome. They were not interested in supporting the Federation through payment of dues or fees.<sup>8</sup>

The manager resigned in mid-1973 and, shortly thereafter, "the GOE [Government of Ecuador] concurred in the USAID's decision to terminate assistance to FECOPAM because of management deficiencies and inability to respond to recommendations made by USAID."<sup>9</sup>

FECOPAM became inactive and remained so until 1976 when the Government intervention ended. It reorganized with assistance from the Inter-American Foundation and lists 53 affiliated cooperatives, of which 26 have formally reconfirmed their affiliation. It provides some accounting and auditing assistance (for a fee) and training assistance. It has been instrumental in forming a Union of Production Cooperatives on the Coast (UCOPAL), made up of 15 small rice growing cooperatives (some of which are former FENACOPARR affiliates). It has received an IDB loan to establish a rice drying, storage, and milling facility in Daule,

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<sup>8</sup>Tendler, p. 81.

<sup>9</sup>Statement Explaining Reason for Submission of Project Paper Revision No. 2--Agricultural Cooperatives (Project 518-15-995-096.1).

which is expected to open soon. The facility is to serve the 15 UCOPAL cooperatives, as well as any others that wish to utilize its services.

## 2.6 Program for the Promotion of Agricultural Enterprises (PPEA)

The PPEA, started as the Land Sale Guaranty Project, was approved in late 1970. The primary purpose of the project was to guarantee the sale of land from landlord to tenant and to support the development of FENACOPARR. It consisted of a US\$3.6 million dollar loan, with US\$2.7 million for agricultural credit, US\$.2 million for technical assistance and support costs, and US\$.65 million for a land sale guaranty fund. However, "for a variety of reasons, the guaranty fund never went into operation, mainly because of the increase in strong agrarian legislation starting in 1971 and lack of interest in the project by the Ecuadorean Government."<sup>10</sup> In other words, the primary purpose of the loan was obsolete before the program was initiated in 1973.

AID's intention was to have the National Development Bank (BNF) administer project implementation. However, the BNF backed out soon after the loan was signed, so AID created the PPEA office, first attached to the Central Bank, then to the Ministry of Agriculture, to implement the loan.

Although the project was designed to support the development of FENACOPARR, the startup delays resulted in its implementation after FENACOPARR had broken off relations with AID. As AID intended, the PPEA worked exclusively with FENACOPARR cooperatives initially, but institutional rivalry developed between PPEA and FENACOPARR. PPEA had been given the opportunity to channel credit to FENACOPARR cooperatives and profit from it at a time when FENACOPARR was seeking new sources of revenue. Also, PPEA was said to have been trying to form a separate union that would compete with FENACOPARR. The organizations drifted apart, and by 1975 only one-quarter of the PPEA cooperatives were FENACOPARR affiliates.<sup>11</sup>

PPEA credits were used to finance irrigation infrastructure (canals, wells, pumps, and land leveling), machinery and equipment, and annual production inputs including labor, in an effort

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<sup>10</sup>Tendler, p. 87.

<sup>11</sup>Tendler, p. 89.

to establish modern production enterprises. PPEA also promoted cultivation of communal plots to pay cooperatives' administrative costs and to help amortize the investment credit. By the final disbursement date of the loan, December 1975, PPEA had utilized US\$2.8 million of the AID loan to provide financing to 48 cooperatives with 2,650 members who cultivated 18,000 hectares of rice.<sup>12</sup>

By this time, problems of management, administration, and accounting began to become evident at the cooperative level. There were problems related to operation and maintenance of irrigation systems, machinery, and equipment. Machinery and equipment frequently were unsuited to farming conditions. In some cases, infrastructure, particularly for irrigation, was poorly designed, badly constructed, or left uncompleted. In addition, there was dissension among many of the groups who had communal plots in regard to sharing equally in work obligations and in regard to debt repayment.

As a result of these shortcomings, many of the cooperatives were unable to repay very large debts. Even now, 8 years after the end of the project, some of these groups are still struggling with problems associated with these debts. Ironically, this has led to some cooperatives losing the land the project was intended to help them acquire.

### 3. CONCLUSIONS

AID's efforts to establish self-sufficient agricultural cooperative federations met with little long-term success. On the positive side, two of the three agricultural cooperative federations it supported exist today. However, one must rely on outside assistance and the other on the politics of allocating coffee export quotas. Neither federation enjoys the active participation and support of more than a few of its claimed affiliates. The scandal surrounding the demise of the rice federation still causes the term "cooperative" to raise suspicion in the minds of many Ecuadoreans.

With regard to providing continued support for the growth and improvement of the agricultural cooperative movement and assisting individual cooperatives and their members to meet more complex social and economic problems, the services provided by these federations to affiliates are sporadic, often of marginal

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<sup>12</sup>AID Final Evaluation, Loan 518-L-032 Land Sale Guaranty, August 13, 1976.

effectiveness, and fulfill only a small fraction of their needs. In 1978, there were approximately 1,160 agricultural cooperatives in Ecuador. Yet, in 1984 FENACAFE and FECOPAM claimed a combined affiliation of only 158 cooperatives. Nevertheless, many of the base cooperatives assisted through the AID programs are still functioning today, including some of those that belonged to FENACOPARR. Some are doing quite well and providing valuable services to their members and their communities. Many of the administrators of these better-off cooperatives had received training under the AID-assisted programs.

Between 1963 and 1978 the number of agricultural cooperatives in Ecuador increased from 234 to 1,159. Most of this growth is due to the tying of land acquisition to cooperative formation under the Agrarian Reform Law of 1970. Nevertheless, AID assistance, particularly as related to policy, technical assistance, and training, has influenced this process.

Ironically, AID accomplished more to support the growth and improvement of the agricultural cooperative movement through its assistance to credit unions than it did through its direct assistance to agricultural cooperatives. Although FEACOAC, as a federation, is weak and suffers from many of the same problems as the agricultural federations, the combined strengths and contributions to development of the individual cooperatives within the movement are impressive. The increase in the number of savings and loan and credit cooperatives from approximately 60 in 1963 to about 500 today is due to their positive contributions to members.

In retrospect, AID's support for agricultural cooperative development was focused too much on the superstructure (federations), with insufficient attention to the foundation (base cooperatives). AID forced in resources at the top, hoping that development and increased incomes would come out at the bottom. In addition, the pace at which AID wished to proceed, as well as the quantity of resources provided to force that pace, overwhelmed the absorptive capacity of both the federations and the base cooperatives. (With regard to the latter, the PPEA program is a prime example.) Furthermore, the nature of the U.S.-oriented strategy and the forcefulness of its technical implementers did not allow sufficient local participation to mold the basically sound cooperative concepts they promoted into a structure that met the needs and desires of the Ecuadorean social, technical, and political factions involved.



APPENDIX E

IMPROVED RURAL LIFE ACTIVITIES

by Clemence Weber

1. INTRODUCTION

The Improved Rural Life (IRL) program was authorized as an amendment to the Institutional Development-Agricultural Cooperatives Grant. It was designed to help farmers organized into agricultural cooperatives to acquire multisectoral services based on their initiative and participation. However, less than one-third of the beneficiary groups were agricultural cooperatives. IRL funded a broad range of multisectoral activities, but it can hardly be considered an integrated rural development program or even part of one for the following reasons: (1) the activities were widely dispersed over a very large geographic area; (2) few groups benefited from more than one kind of activity; and (3) the quantity of resources involved was minute when compared to the overall investment occurring in the development of these communities. Except for buildings, it was difficult to find traces of many of the activities, much less measure their impact.

2. BACKGROUND AND RATIONALE

In 1973, Government of Ecuador control of the agricultural cooperative movement passed from the Ministry of Social Welfare to the Ministry of Agriculture. The Ministry of Agriculture chose to develop a new rationale and course of action for cooperative assistance. It proposed "to encourage further cooperative growth and stability by undertaking such activities as the construction of access roads, building better housing, encouraging small cooperative artisan activities, providing nutrition, education, etc."<sup>1</sup>

By 1974, The Federation of Savings and Loan Cooperatives (FECOAC) was the only one of the four federations still supported by the Agricultural Cooperatives Project. AID had stopped assistance to the National Coffee Federation (FENACAFE), considering it self-sufficient, and had given up on the Federation of Production and Marketing Cooperatives (FECOPAM) as a hopeless case.

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<sup>1</sup>Statement Explaining Reason for Submission of Project Paper Revision No. 2 (Project No. 518-15-995-096.1).

The National Federation of Rice Cooperatives (FENACOPARR) had refused the conditioned assistance offered by AID.

Although the Ministry of Agriculture proposals did not directly involve cooperative federations, the USAID Mission determined that the activities fit under the project purpose of "continued growth and improvement of the cooperative movement" because (1) many of the proposed cooperative participants were members of FENACOPARR or FECOPAM; (2) it intended to develop a second-level cooperative infrastructure on the coast with the service characteristics described in the AID Project Paper; and (3) such activities coincided with recent AID/Washington directives concerning improvement of rural life.

In May 1974, the project amendment was signed, obligating US\$192,000 for the IRL pilot activity. The end-of-project status would be "an effective and expanding IRL program of technical assistance, with grant and revolving funds for social development projects benefiting at least 300 rural agricultural cooperatives."<sup>2</sup> This agreement provided for activities to be carried out in six areas: rural housing, rural industries, access roads, campesino scholarships, nutrition, and cooperative education.

### 3. PROJECT IMPLEMENTATION AND THE DIMINISHING ROLE OF COOPERATIVES

Project design called for the initial stages of the program to be implemented through 40 campesino cooperatives in the coastal area of the country. They were to form a cooperative union affiliated with the Program to Promote Agricultural Development (PPEA) and have a board of directors assisted by PPEA staff. The major responsibility of the board of directors would be to prepare subproject proposals. Final authority for approval would rest with the PPEA director. The PPEA was to provide technical assistance and administrative support on the coast.

In the Sierra, the Ministry of Agriculture's Department of Rural Development was to form the management group. Final approval of the Sierra subprojects would rest with its general director, who would also serve as project manager.

Before any funds were made available for IRL activities on the coast, the director of PPEA departed. The new director, preferring direct management by PPEA, rejected the participation of the cooperative union. Under PPEA, the project moved very slowly

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<sup>2</sup>AID, Project Paper Revision No. 2, October 22, 1975.

and only a few activities were undertaken during the first year. In May 1975, the Project Agreement was amended to give the Department of Rural Development sole responsibility for implementation of the entire IRL component.

The IRL component was then implemented as a loosely structured self-help fund much like the Special Development Account (SDA) funds. Technicians from the Department of Rural Development were responsible for identifying or selecting projects, helping groups prepare for them, and supervising suitable projects approved by their director and AID. Requests for small projects often followed in the wake of field trips by Ministry personnel or came from favored contacts instead of from cooperative initiatives.

Thus, while the project design called for agricultural cooperatives to be both the beneficiaries and the administrators of the IRL activity, their role was reduced to that of recipients only. In fact, cooperatives represented less than one-third of the groups assisted under IRL. Most of the IRL activities were for the benefit of other types of rural and urban community organizations (neighborhoods, comunas [communes], schools, clubs, training institutions, and so forth. See Table E-1).

Table E-1. IRL Activities by Recipient and Geographic Location

Recipient	Coast	Sierra	Total
Cooperatives <sup>a</sup>	19	1	20
Communes <sup>b</sup>	14	23	37
Urban Neighborhoods	-	3	3
Other (schools, training centers, clubs, studies)	<u>7</u>	<u>4</u>	<u>11</u>
Total	40	31	71

Note: Of these recipients of IRL activities, the evaluation team visited six cooperatives and three communes, in addition to discussing project activities with knowledgeable persons.

<sup>a</sup>Not all cooperatives were agricultural.

<sup>b</sup>A commune is a traditional form of kinship organization that functions as a local community organization similar to cooperatives.

#### 4. ACTIVITIES REALIZED, BENEFICIARIES, AND SIGNIFICANCE

When the Project Agreement was amended in May 1975, the housing activity was replaced by a rural construction activity; no housing activities were ever carried out. The distribution of activities by category and geographic region is shown in Table E-2, below.

Table E-2. IRL Activities by Category and Geographic Location

Category	Coast	Sierra	Total
<u>Campesino Scholarship &amp; Cooperative Training</u>	9	-	9
Small Industry	11	4	15
Access Roads	6	4	10
Nutrition & Health	18	7	25
Rural Construction			
Community Centers	15	10	25
Schools/Training Centers	10	-	10
Potable Water	-	4	4
Electrification	-	3	3
<b>Total</b>	<b>69</b>	<b>32</b>	<b>101</b>

Few groups benefited from more than one activity, and the quantity of resources involved was very small. The data in the tables above show 101 activities benefiting 71 groups, an average of just over one activity per group. The average AID contribution amounted to less than \$2,000 per activity and US\$3,000 per group, including that which went to finance operating expenses for the Ministry of Agriculture (vehicles, travel, training, equipment, and so forth). The team could not estimate either the Government of Ecuador's contribution or the extent to which local resources were incorporated into the IRL activities. (We suspect that local contributions were much greater than either AID's or the Government of Ecuador's.) Nevertheless, the IRL investment in any one community was relatively minute when compared with overall investment during the relevant timeframe.

Funds expended under campesino scholarship and cooperative education activities were used primarily for travel and training of Ministry of Agriculture personnel; this accounted for six of

the nine activities realized. Two formal training courses were provided to cooperatives, and several people were contracted for a short time to provide day-to-day training to a few groups. The Project Agreement called for two mobile education units; these ended up as vehicles for use by the Coastal Coordinating Unit and the Director General's Office of the Rural Development Division.<sup>3</sup>

Small-scale rural industry activities included five for cement block fabrication, three for tailoring shops, two for cooperative rice mills, one for a 4-H Club art shop, and one for a cooperative cheese factory.

There were 10 activities involving access roads. Of the six on the coast, one involved bridge repair only, one was not accepted by the Cooperative San Felipe as completed, a third was completed mostly with cooperative funds, and a fourth was poorly constructed. Only one of the access road activities in the Sierra was in a rural area. Nearly half of the funds spent on access roads in the Sierra were used for improving access to the cooperative training center on the outskirts of Quito.

Nutrition and health activities consisted principally of home gardens, poultry raising, and the establishment of general stores and several medical dispensaries.

Rural construction received the bulk of attention and funding. The 42 construction activities included 25 community centers or casas comunales, 10 schools and crafts training centers for housewives, 4 potable water systems, and 3 neighborhood electrical installations.

##### 5. FIELD SURVEY, FINDINGS, AND IMPACT OF IRL ACTIVITIES

The team made site surveys of 16 IRL activities with the results indicated below. Success means the team found evidence of a positive impact or of continued use. Failure means the activity was discontinued or disappeared without a trace.

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<sup>3</sup>Nancy de Johnson, "Final Report for Coastal IRL Activities," July 1977.

	<u>Success</u>	<u>Failure</u>
Community Centers	5	1
General Stores	0	3
Health/Nutrition	1	2
Industry	0	2
Road	0	1
Sewing Classes	0	1
Total	6	10

The team found that community centers were well utilized, even if not as intended. One group, recipients of a home garden activity, has continued horticultural production on a commercial scale. Roads and electrification projects were forgotten by the intended beneficiaries, having been subsumed into new infrastructure or fallen into disrepair. Sewing projects were discontinued as soon as the outside organizer stopped sponsoring the activity. General stores and brick-making activities generally fell victim to lack of demand or bad management. Health and dental centers were discontinued as urbanization brought these services closer to the farmers (through growing towns or better transportation).

These conclusions are drawn from the following observations made during site visits by the team.

The Cooperative Rio Ruidoso received a rice mill but lacked funds to install it. Funds were provided for this purpose as well as warehouse space. The mill operated on and off for about 3 years, but repeated problems with the drive motor finally led the cooperative (with a large delinquent debt to the National Development Bank under the PPEA) to abandon the mill for lack of funds to fix it. The warehouse is used for general storage.

In the community of Chongon, a crafts training center for housewives, equipped with sewing machines, and a community store were established. Sewing classes were taught for a brief period by a Ministry of Agriculture employee, but when she left the activity ceased. The general store also functioned for a while, but because of high prices and limited selection people preferred to buy in nearby Guayaquil.

At the Cooperative San Felipe, where an access road was constructed, informants remembered working with staff of the Department of Rural Development of the Ministry of Agriculture, but did not recall any assistance for building a road. (Project documentation indicates that the road was poorly constructed and not accepted by the cooperative.)

The community center built for the Cooperative El Payo is still in excellent condition and used for cooperative and com-

munity meetings. It was used as a school before a formal school was built. Because of agricultural debts, the cooperative has been unable to install windows and doors, but plans eventually, as resources permit, to finish it and use three rooms for a health center, general store, and small warehouse.

In the community of Petrillo, the community center was used initially as a health center and dental clinic. Later the community received a new health center, and the building now houses the Ministry of Agriculture training center and is used for 4-H Club meetings. A desire was expressed to convert the upstairs into a private dental clinic.

The community center at the Cooperative 15 de Noviembre is the only public building in a very small, poor community. It is used as a general meeting place and occasionally as a training center.

Four activities were carried out with the Cooperative Carlos Julio Arosemena: a community center/general store, home gardens, and latrines. The community center consists of a two-room wooden structure, with one room set up as a store and the other used as a meeting place. The store was operated for a while by the cooperative but abandoned because of continued losses. The current cooperative manager has used the building as his home for the past 6 years and runs the store as a private business. There are no latrines in the community. A few of the cooperative members have home gardens.

A community center and home garden activities were provided for the Cooperative San Fernando. The community center is used as a school and general meeting place. The group has continued horticulture production and during the past few years has collectively cultivated about 10 hectares of mixed vegetables for the local market. They plan to put the entire 10 hectares in tomatoes for sale to a processing plant. (This group was not visited; information was obtained through an interview with a member of the Ministry of Agriculture staff.)

In the community of La Chiquita, the small cement block industry established under the project was abandoned as unprofitable after a short time. The community center apparently was used briefly for training in crafts and tailoring before being converted into a center for adult education, its present use. (This group was not visited; information was obtained through an interview with a member of the Ministry of Agriculture staff.)

The general store established for the Cooperative Copesap functioned well for about 4 years before it collapsed due to management and liquidity problems.

F-1

## APPENDIX F

### ANALYSIS OF SERVICES ACQUIRED BY COOPERATIVES

by Silvia Alvarez and Helen Soos

#### 1. INTRODUCTION

The cooperatives and their leaders examined in this evaluation were characterized by an unusual degree of initiative in the acquisition of agricultural and social services. In this respect, they represent confident, forward-looking people who are seeking to improve their lives in every possible respect, through whatever organizational means--cooperatives or communes (see Appendix I)--are available. This analysis describes the types of services cooperatives have sought, often in collaboration with communes.

The analysis is divided into two sections. The first section categorizes by type the services that cooperatives sought to obtain. The second section describes selected cooperatives, the types of services that they obtained, and the means utilized.

#### 2. TYPES OF SERVICES SOUGHT BY COOPERATIVES

The cooperatives evaluated sought many types of services and acted on as many fronts as possible. When thwarted in one effort, they turned to other goals, returning to the first when conditions permitted. Thus, the order in which the services sought are discussed does not indicate their relative priority.

##### 2.1 Agricultural Services

Agricultural services are a main priority for most cooperatives, especially for those that have not developed sufficient expertise and are experiencing difficulties with production or marketing. This priority is consistent with the fact that agriculture constitutes the main source of livelihood for all but three cooperatives. The exceptions include the Los Andes Cooperative, which was formed by formally employed persons in Carchi Province as a way to supplement their income. In the El Oro Province, coffee production for two cooperatives faded into the background with the advent of the gold rush.



### 2.1.1 Technical Assistance

Experience with the acquisition of technical assistance for agricultural production has been mixed. Generally, the cooperatives that have been able to increase production are those that received unusual technical services or did not need the services because of prior experience with modern production techniques. Only five cooperatives had positive experiences with technical inputs and credit and were able to increase yields and incomes substantially. Each of these had prior experience, received unique assistance, and had good management. Four are rice cooperatives that operate like large businesses with varying degrees of individual choice or responsibility over production, but with equitable distribution of benefits. La Esperanza, a 34-member cooperative in the Sierra highlands, has converted 75 hectares of a sugar plantation into profitable vegetable production for the Quito market. It is the only cooperative that is highly individual in its operations, with each farmer making all production and marketing decisions. For these five cooperatives, incomes have increased and a self-sustaining production plateau appears to have been attained.

Other cooperatives are still struggling to reach that plateau. They are caught in the vicious cycle of obtaining credit and failing to have adequate production to pay for it. Many cooperatives cited bad weather in the mid-1970s and 1983 (the hurricane El Niño). Others simply had production problems, such as inadequate water control or inability to identify appropriate crops to grow. The AID-funded credit program for rice cooperatives (PPEA) was mentioned by numerous rice cooperatives as providing poor technical assistance, so that land leveling and engineering were faulty or the land selected was not suitable for rice production. Despite deficiencies in technical advice, the cooperatives nonetheless had to repay the loans incurred under the program. Because of previous debts, many cooperatives were unable to borrow adequately to cultivate all available land.

### 2.1.2 Credit

Credit seems to be available to all cooperatives except those that have not been able to repay loans. Most cooperatives borrow from the National Development Bank (BNF), which is reputed to take a long time to approve small loans. Some borrow from private banks at higher interest rates because of the time factor. Others borrow from the Cooperative Bank or from private suppliers on a short-term basis. A small number of cooperative members belong to credit unions and borrow individually.

### 2.1.3 Mechanization

All the cooperatives visited utilize some mechanized services except one, the 15 de Noviembre near Balzar (Guayas Province), which cannot afford modern inputs because of its substantial debts. Eleven cooperatives hire tractor services, while five own their own equipment. Three of these are the successful rice cooperatives discussed above. The other two are in the Sierra. Cuesaca Cooperative (Carchi Province) purchased two tractors with a BNF Loan, and La Torre Cooperative (Chimborazo Province) purchased two tractors with credit that weighs heavily on the welfare of its members.

### 2.1.4 Input Supplies

Input supply services are provided only by the Roblecito Cooperative in Guayas, one of the successful rice cooperatives. Many cooperatives are planning a supply depot for bulk purchases but have not had the requisite financial or managerial resources to carry out their plans. Some cooperatives do not need these services because they are located close to towns. At least one cooperative buys inputs on short-term credit from the supplier.

## 2.2 Social Services

Social services represent the area in which cooperatives have been most successful. Although agricultural production constitutes a main priority, many aspects of agricultural production cannot be controlled individually, and many cooperatives do not have the management skills requisite for cooperative control. Acquiring social services has provided challenges with which the cooperatives have been better able to deal.

### 2.2.1 Education

Education has emerged as a consistent priority in all cooperative communities lacking this service. All cooperatives that did not already have access to primary education instigated efforts to acquire a primary school for their children. Several provided classroom space until an appropriate building could be built; some supplemented teachers' salaries. The Payo Cooperative in Guayas paid for the installation and provision of electricity in the school for 4 years and is now requesting the local government to assume this expense. This cooperative also

took advantage of the presence of a teacher to organize adult literacy classes; the cooperative provided him with free room and board in exchange for these classes.

All cooperatives visited by the team have access to primary education; about half have access to secondary schools, although distance creates a barrier for poorer members in some cooperative communities. Several cooperatives tried to obtain secondary schools; the members of La Esperanza succeeded in acquiring one in their community. Many cooperative members interviewed stated that they had children attending universities, something they could scarcely have dreamed of before the land reform.

### 2.2.2 Health Services

Another high priority for communities is adequate health services. Some have allocated space but have been unable to obtain government personnel or to pay a nurse. Communities without health services tend to use the facilities in larger urban areas when necessary. Despite high demand, few cooperatives have been able to acquire health services. One cooperative acquired a social security system (seguro social campesino).

### 2.2.3 Potable Water

Many cooperative communities mentioned the lack of potable water as a problem, and a few are actively working toward its acquisition.

### 2.2.4 Community Centers

Community centers (casa communal) are used for cooperative and community meetings, classes, and services such as general stores, input supply depots, health, or education on a temporary basis. The importance of these centers depends on the extent to which cooperative communities have merged with larger population concentrations. In isolated, cooperative-based communities, the casa communal plays a major role as a place for holding meetings and providing space for services. Community centers built under the IRL program were frequently the central edifice in the emerging community. The president of La Esperanza community, which has no central building, places a high priority on building one; the challenge is to generate funds.

### 2.2.5 Access Roads and Transportation

Access roads have not been obtained in most cooperatives visited by the team. The team did not find evidence of access roads funded under the IRL, primarily because communities could not recall receiving the assistance. It is probable that these roads were low grade: they could be integral parts of farm systems and cooperative communities. Generally, roads are beyond the technical and financial means of cooperative communities to build. The Rio Ruidoso Cooperative in Guayas used political connections to acquire an access road to a major trunk road. Many cooperatives mentioned the need for upgrading existing roads, and most kept their own roads in usable condition.

Transportation has received attention from some cooperatives. The San Felipe Cooperative in Guayas established raft transport across the Guayas River, linking it to a major trunk road. The Rio Ruidoso Cooperative in Guayas, having obtained a road, currently supports a bus service for the entire community.

### 2.2.6 Electricity

For most communities without it, electricity constitutes a priority, especially if there are electrical lines nearby. In Payo Cooperative, groups of four cooperative members have combined resources to pay for a line from a nearby source to service their houses and the school. The 15 de Noviembre Cooperative would like to tap into a line about 1 kilometer away on behalf of the entire community. They plan to meet with officials on this subject; however, they have few resources to contribute because of their major agricultural debts. Electricity may be a service for which community focus is necessary only to the extent that individuals cannot acquire it on their own.

### 2.2.7 Housing

Housing is primarily an individual endeavor. Cooperatives, however, have set aside land for housing and provided temporary accommodations for members who have none. The team found a high incidence of cooperative members who have sufficiently high incomes to invest in their own housing. It is unlikely that the cooperatives covered in the evaluation will allocate cash resources to actual housing construction because agricultural problems continue to take precedence and housing is perceived as an individual responsibility conferring individual benefits.

### 2.2.8 Sewage

Although it is a priority, sewage is a service that receives little community attention. As in housing, individual efforts prevail over community efforts.

### 2.2.9 General Store

Some cooperatives have established a general store, often for the benefit of the entire community. This service is more important in some communities than in others, depending on distances to rural towns. In most cases, this service has not been sustained because of management difficulties.

## 3. MULTIPLICITY OF SERVICES SOUGHT BY COOPERATIVES AND THE MEANS FOR OBTAINING THEM

Some cooperatives showed tremendous imagination in seeking different types of services. The following discussion provides representative examples of the types of services that cooperatives sought on behalf of the entire community and of the leadership roles assumed by cooperative leaders within their communities. The leadership role is complex: sometimes cooperative leaders were chosen from the ranks of existing community leaders, while in other cases they developed into community leaders.

In general, it can be said that the achievements of cooperatives, although initially designed to benefit the membership, in the end extend to the community as a whole, and even to some people residing beyond the cooperative's area of influence. Sometimes cooperatives obtained and maintain public works that are of common use and serve not only those who live in the community, but an entire region. Some cooperative leaders have become integrated into national political parties or government institutions, either as civil servants or cooperative movement representatives. This national participation has a direct bearing on the cooperatives' ability to obtain goods and services.

The Cooperative Payo in Guayas formed a committee to obtain from the regional government the installation of a drinking water system for the community and the funds to build and operate a local school. The cooperative has already made other substantial contributions to the community. It lent its communal building to the community until the schoolhouse could be finished and offered adult education classes in literacy and basic arithmetic. For 4

years, the cooperative paid the school's electricity bill and supplemented the teacher's meager salary by providing him with room and board at the cooperative manager's household. Upkeep of the school building has been taken on by the cooperative membership, with occasional painting and repair of school furniture.

The president of La Esperanza Cooperative in Imbabura is an example of a cooperative leader who has become a community and national leader; he currently is president of the Federation of Production and Marketing Cooperatives (FECOPAM). With national-level political attention, he has attracted a new high school to his region as well as unusually competent technical advice for his cooperative members, who have increased their incomes substantially. Thus, cooperative leaders may assume regional and national leadership that helps them obtain goods and services that will benefit not only cooperative members but a large segment of the population at the regional level as well.

Another example is the manager of the Cooperative La Torre in Chimborazo Province, who attempted to organize several communities of the Colta area to lobby the Ministry of Education for a high school that would serve the whole area. Although unsuccessful, it is an example of the personal effort expended by the cooperative's manager to serve several communities at the regional level. He was successful, however, in obtaining a new health center for the community (Parroquia Juan de Velasco), as well as a generator, donated by the Provincial Council of Chimborazo, to provide electricity for the whole town.

The Cooperative Roblecitos in Guayas Province has extended a broad range of services to the entire community. The cooperative buys rice from both members and nonmembers to process in its mill. Nonmembers benefit from the local sale of agricultural inputs by the cooperative, and at better prices than they can receive elsewhere. The cooperative also makes loans to nonmembers to help them plant a new crop of rice. It has donated a tract of land for building a school that will benefit the whole community.

The Cooperative Rio Ruidoso in Guayas Province was able to secure from the Provincial Council of Guayas the construction of a road to connect the cooperative lands with the Naranjal-Machala highway. One of the cooperative members owns and regularly drives a bus that provides cooperative members and other inhabitants of the area with easy access to Machala or Guayaquil and points in between. The road permits members of the cooperative and others as well to truck the harvest to the marketplace. The cooperative maintains the road and bridges, at no cost to nonmembers. The cooperative also was able to convince the Ministry of Education to provide two grammar schools for the area and to equip them with sewing machines so that women in the community

could learn how to use them. Although this service has been discontinued temporarily because the cooperative could not increase the salary of the sewing instructor, several young women benefited from the program before it was ended.

Members of the coffee growing Cooperative Malvas in El Oro Province attend to their community's needs from different positions. As members of the Union de Cooperativas de El Oro, some cooperative members were able to secure a donation for school materials and Christmas presents for the children attending the regional grammar schools. They were also able to obtain social security for farmhands in 170 households in the region. The cooperative's manager served as president of the Health Service Committee of Malvas, which in 1976 obtained the construction of the health center building from the Provincial Council of El Oro. In 1984, he also served as president of a political committee for the presidential election and in this way obtained 10,000 sucres for the construction of a drinking water system for the community. The Malvas cooperative president is also the local sheriff, and helps the cooperative with legal and other official paperwork. All cooperative members belong to the Sport and Cultural Association, and through it are lobbying for a junior high school.

Another manner in which goods and services are obtained for the community is through individual contacts. Some members of the community work for government institutions and act as brokers to obtain benefits for the community from these institutions. An example of this was found at Cooperative Cuesaca, where a member who works at the National Water Resources Institute requested from his employer the tubing the cooperative needed before the Provincial Council of Carchi would donate the installation of a fresh water system for the community. This cooperative also has provided facilities for a school for the community, has provided temporary housing to a member while he mobilized resources to construct his own, plans to pipe potable water to the area, and owns two tractors on behalf of its members.

## APPENDIX G

NONFORMAL EDUCATION IN THE COOPERATIVE CONTEXT

by Cesar A. Jaramillo L.

"To educate" has been posited as the golden rule of cooperativism. Education enables a cooperative to achieve the goals it establishes for itself. It is necessary for managing the cooperative, for maintaining participation and accountability, and for achieving production goals and the delivery of agreed-on services. Types of education include instruction in the principles of cooperativism and participation; cooperative organization, including checks and balances vested in vigilance committees (see Appendix H); management, accounting, and technical skills for agricultural production; and equipment operation and maintenance. All of these types of education are essential for a sound agricultural cooperative. Most of them are also essential for a credit union, although participation does not have to be as active (if members understand basic criteria for lending and other services), and technical and managerial skills are generally hired rather than vested in members without compensation. Education is one of the most important and most overlooked elements of cooperative development and of integrated rural development projects.

A cooperative training system is essential for establishing and maintaining a strong cooperative movement. The lack of a training system can erode progress made by cooperatives and make them regress to the level of other groups whose objectives are not clear to their members and who are not able to organize themselves to accomplish specific objectives.

In Ecuador, cooperative education has virtually disappeared over the last decade. During the 1960s and early 1970s, cooperative education was the responsibility of the cooperative federations and was generally funded by AID as an important element in promoting cooperative development. As AID withdrew from active support to the federations, the provision of cooperative education declined. Cooperative training presently available in Ecuador is limited to sporadic activities at main cities such as Quito, Guayaquil, Ambato, and Cuenca. Cooperatives that operate in rural areas do not benefit from this training system, which lacks extension agents who can go to the field. Even this limited training is carried out only at a management level. The lack of systematic training in cooperative development and relevant technical areas means that the training needs of cooperatives are not being met.



The lack of training within different kinds of cooperatives, such as agricultural, savings and loan, and consumption and service cooperatives, is closely related to the fact that federations such as the Federation of Savings and Loan Cooperatives (FECOAC) and the Federation of Production and Marketing Cooperatives (FECOPAM) do not provide their affiliates with training services.

The cooperative federations recognized that cooperative education was essential for maintaining the cooperative movement, but that they did not have the financial resources to carry out this important function. Realizing that there were economies of scale to be gained from combining their resources, the cooperative federations created the Ecuadorean Cooperative Institute (ICE) to provide cooperative education to all cooperatives in Ecuador. The cooperative federations also retained some responsibility for cooperative education, both on their own and in collaboration with ICE.

Funded by the cooperative federations, ICE is a small institution with modest means; it has not carried out the purpose for which it was created. Instead, ICE is heavily involved in financing cooperative development projects in specific geographic areas. These costly projects require large staffs to operate and consume ICE's resources.

The ability of individual cooperative federations to provide training varies. FECOAC is the strongest federation in terms of membership and contributions and provides the most support for ICE. FECOAC does not provide training, but it does provide technical assistance in accounting and management of credit unions, for which it charges the cooperatives. FECOAC is the only federation that could provide training in cooperative development. However, credit unions operate like banks, with functions limited to those relating to savings and loans, and thus they do not require training in participation and management to the same extent as agricultural cooperatives. Therefore, FECOAC has not placed a high priority on cooperative education.

The FECOPAM has minimal means available for training. It offers technical services in accounting and extension for a fee. However, it cannot afford to fund cooperative training without external assistance. The National Coffee Federation (FENACAFE) similarly does not offer training in cooperativism and is not likely to do so (although it probably could afford to do so if it believed cooperative education were important). Since the gold rush in El Cro Province has displaced coffee production, it is unlikely that FENACAFE will place a high priority on cooperative education.

Despite these problems, the competence of the leaders in some of the cooperatives demonstrates that the training systems applied during the early 1970s were well executed and have allowed the institutions to function. Much of this is due to support from AID and other development agencies.

The lack of additional training means that the management staff cannot develop its skills in response to problems, new challenges, or activities that the cooperative would like to undertake. Furthermore, this situation does not facilitate the introduction of new ideas or changes in leadership that would promote the development of the cooperative.

Some results of the lack of cooperative education are the following:

- Lack of awareness among cooperative members of a philosophy of cooperation that would permit a truly collaborative, mutually reinforcing relationship among members, management, and other administrative staff.
- Lack of understanding of the Cooperative Law which requires that vigilance committees, accounting committees, and credit committees be established within each cooperative to provide checks on the management (see Appendix H). Both the understanding of and the training to carry out these functions would enable cooperatives to develop more competent members and allow for leadership rotation.
- Lack of knowledge of the regulations and procedures that would lead to better management practices.
- Lack of technical training and information about products and agricultural systems that would promote increased agricultural productivity and income.
- Lack of focus on the inputs and activities required to achieve the desired results within the cooperative movement. This appears to be the aspect that requires the most attention. At the moment, the federations, ICE, and other groups are caught up in their own activities. They claim to support the development of cooperatives, but they make no effort to promote the movement or to seek feedback from past experience of their own cooperative members and other farmers. This feedback would provide rich insights and could lead to effective developmental results for which the farmers in these groups have long been struggling.

- The lack of cooperative training for administrators and cooperative managers has forced the cooperatives to name unexperienced personnel to responsible positions. This has caused the failure and economic losses of some of the cooperatives and has prevented others from achieving the productivity and financial viability that characterize a successful cooperative.

H-1

## APPENDIX H

### CONFLICT BETWEEN BOARD MEMBERS, MANAGERS, AND THE MEMBERSHIP: A PROBLEM FOR ECUADOREAN COOPERATIVES

by J. Jude Pansini

#### 1. INTRODUCTION

The management of cooperatives is a key factor relating to their success or failure. This appendix examines the organization and functioning of cooperatives in Ecuador, with special emphasis on management concerns.

The evaluation team frequently noted conflict among administrative staff, board members, and cooperative members, as well as disenchantment on the part of many of them. Complaints were made against managers by current and former committee members, by current and former cooperative members, and by their wives. These complaints included poor administration, corruption, or theft; manipulation of board and committee members; lack of turnover in management; failure to inform members of decisions; and failure to hold open (general assembly) meetings. One cooperative was criticized because its manager was too good: it was felt that the cooperative would collapse if he left. Complaints by managers, on the other hand, were made primarily against committee and cooperative members who were accused of "not knowing anything"; of needing to be educated all the time; of not understanding how to run a business; of being their personal enemies; of jealousy; of wanting to cause trouble by asking for an audit of finances, and so forth. Of the credit unions and cooperatives that collapsed or were no longer functioning, lack of communication between members and managers was a key cause of failure and impeded appropriate salvaging operations. The results of cooperative failure ranged from a loss of savings to the loss of land. These failures had a significant, negative impact on the lives of affected rural Ecuadoreans.

Board-manager relations are a serious problem in developed societies as well. In the United States, for example, managers and board members are far from coming to grips with it, let alone solving it, especially in the nonprofit sector. However, there is a world of difference between the causes of the problems of Ecuadorean cooperatives and those of U.S. nonprofit organizations. In the United States, board members are frequently disinterested because of other demands on their time and the operations of the organizations are not central to their existence. In Ecuador, cooperative members have their source of livelihood at stake. If they do not understand the problems, it is not

because of a lack of interest. They understand the importance of management and cooperative education and want to learn as much as possible about them and about production, credit, and marketing as well.

## 2. COOPERATIVE ORGANIZATION

The Cooperative Law of Ecuador prescribes the basic organizational form for a legally recognized cooperative. These organizational requirements include managerial requirements stipulating how each component of the cooperative organization is to function. The requirements of cooperative management and organization in Ecuador have the potential of becoming a nightmare for the cooperatives. At a minimum, the system requires a significant number of cooperative members to be trained in management, accounting, credit operations, and cooperative principles. Of the 18 agricultural cooperatives evaluated, 7 had a membership of 16 or fewer. The oversight and education functions required by the Cooperative Law would certainly tax cooperatives of this size, in effect requiring that each member be competent to exercise specialized functions.

The organizational and management requirements are relatively simple and are intended to provide internal checks and balances for the smooth functioning of the cooperative. On close examination, they reflect astute consideration of oversight functions and checks on managers, as well as a recognition of the importance of cooperative education and the central role of credit in the life of a cooperative. Yet, they are sufficiently complex that they would be difficult to apply to the farm households typically found in rural Ecuador. It can safely be said that complicated procedures and organizational forms cannot work in most rural (or poor urban) settings without a significant injection of training.

### 2.1 General Organization

The Cooperative Law requires that each cooperative subscribe to the following organizational forms:

1. A General Assembly comprises the entire cooperative membership. The general assembly is the highest authority in the cooperative. Initially with outside assistance (perhaps an official from the Ministry of Agriculture or another ministry), the assembly elects the legal officers of the cooperative: the president, vice president, treasurer, and secretary. Beyond this election, it is not clearly specified how frequently or for what

reasons subsequent open meetings are to be held. Such meetings are crucial for keeping the membership informed of the status of activities and for providing a means for participating in critical decisions. The team found that general assembly meetings varied, with some cooperatives holding them monthly or more frequently, depending on the season and the issues at hand, while other cooperatives rarely held meetings.

2. The Administrative Council is the body formed by the four legal officers elected by the general assembly: president, vice president, treasurer, and secretary. This standing committee chooses the cooperative manager and exercises jurisdiction over him or her. The manager may be a cooperative member or an outsider. Agricultural cooperatives tend to choose a manager from their own ranks, because they cannot afford to pay someone. Credit unions generally hire a manager, although some of the small credit unions named managers from their own ranks.

## 2.2 Organization Within the General Assembly

The general assembly is also required to elect members to fill three other standing committees which are required by law.

1. The Vigilance Committee is charged with ensuring that all necessary reports are submitted accurately and on time. However, this committee is generally regarded as a watchdog committee, a function that frequently causes it to clash with the administrative council, which is responsible for the management of the cooperative and the preparation of reports.

2. The Credit Committee oversees the business of the cooperative relating to bank loans and repayments and the individual obligations of cooperative members to pay a prescribed portion of these loans. These include (1) land-acquisition loans, (2) credit loans, and (3) other loans for input supply, mechanization, and so forth. The repayment of loans is crucial, because the land can be reclaimed if the payments are not made and additional production credit cannot be obtained unless previous loans are repaid. Many cooperatives borrow as a cooperative rather than as individuals because the Agricultural Development Bank of Ecuador favors this type of loan request. Thus, the credit standing of the cooperative affects the day-to-day operations of members in terms of access to input supply, tractor-hire services, and other production-related expenses.

3. The Education Committee is charged with the education of cooperative members about their roles and responsibilities.

Although other committees may be formed as needed, these three are required by law. Each committee has a well-defined and

important role that is essential if the cooperative is to function well. Further, there usually is a board of directors of the cooperative, composed of all committee leaders and the administrative council.

The team did not encounter any cooperatives that mentioned the three legally required committees and the roles that they played. The only committee mentioned was the vigilance committee, which sometimes challenged the manager or the president of a cooperative. The team did not have sufficient time to contact committee members, and it is likely that the manager or president would have felt threatened had we attempted to do so. However, it was clear that many cooperatives were suffering from poor communication, mistrust, possible corruption, and disagreement on how to handle key issues in times of crisis.

A manager of any organization needs to be a skilled diplomat and politician. In a rural context, political life in the sociological sense can be intense. Alliances are made and broken daily. Status and prestige are always on the agenda of individuals and groups. If there is an absence of good will among the players, serious problems can result. Envy, jealousy, contention, favoritism, misunderstanding, rivalry, machismo, and violence are common in poor, largely illiterate rural environments.

On balance, the evaluation team applauds the Cooperative Law for its sensitivity to the problems that could threaten the existence of a cooperative. If the organization stipulated by law had been implemented and had functioned effectively, several credit unions and agricultural cooperatives that collapsed or were on the verge of collapse could have avoided that situation. Other cooperatives with serious problems could probably overcome them if their members were capable of understanding and performing the functions of the three committees.

If cooperatives in Ecuador are to improve their performance, the prescription may be the same: participation and better communication. Retreats could be organized to open communications, clarify roles and responsibilities, explain problems, and obtain agreement on solutions. Given the critical importance of agriculture as the source of livelihood for Ecuadorean cooperative members, general assembly meetings should be held frequently and should be used to achieve consensus on key issues and to provide guidance to the specialized committees and managers.

21

APPENDIX I

ALTERNATE FORMS OF RURAL ORGANIZATION:  
COOPERATIVES AND COMMUNES

by Silvia Alvarez

Cooperatives are not the only valid means of promoting rural development. They are, however, the mechanism that has been favored by the Ecuadorean Government as a means to implement the Agrarian Reform Law. The preference given to cooperatives for promoting rural development tends to displace other traditional preferred forms of social organization in Ecuador.

M.A. Franco, a former Executive Director of Ecuador's Land Reform and Colonization Institute (IERAC), noted that cooperatives appeared to be the best form of social organization at the time of the Agrarian Reform Law. Other equally valid forms of rural organization, such as communes, were bypassed.

Although cooperatives have been favored by the Ecuadorean Government, "Comunas did not receive any support from the institutions involved in implementing Agrarian Reform or agricultural development."<sup>1</sup>

A commune is a traditional form of kinship organization that was recognized in 1937 by the Ecuadorean Government as a political entity for local government. In some respects, a commune functions as a municipality, with a political body called a cabildo comprising all adult (male and female) native members of the commune. Non-native adults married to native members may join the commune. However, non-native, nonrelated adults living in the same community are not invited to join. The cabildo makes decisions on land holdings and land utilization in accordance with the needs of the families that form the commune. The commune also functions as a keeper of the cultural traditions and customs that keep the group together, working toward a common good.

People who do not belong to the commune may live within the commune, but they have no representation, nor are their rights upheld by the commune. Because of this lack of representation in the communal organization, they try to maintain some form of representation through informal organizations or committees with specific ends, like parent-teacher associations, urban renewal

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<sup>1</sup>Robert Santana, Capesinado Indigene y el Desafio de al Modernidad (Quito: Centro Andino de Accion Popular, 1983), p. 154.



committees, religious organizations, social and sport clubs, and so forth. (Members of the commune generally are also members of these informal organizations.) The difference between these organizations and the cabildo is that they lack the political-legal representation that the cabildo has. Although agricultural cooperatives can be considered as a type of informal organizations, cooperatives in Ecuador are in fact political-legal entities like the commune and its cabildo.

Communes and other indigenous groups were recognized as legal entities by the Ecuadorean Government in 1937 through the Ley de Organizacion y Régimen de Comunas. This law provided that the inhabitants of any settlement, defined as a hamlet (caserio), or an Indian rural village (which according to its size or proximity to an urban center could be called a barrio, partido, comunidad, or parcialidad) should be classified as a commune based on kinship relations of the traditional social organization of the Andean area.

Until 1964, there were only 931 communes registered for the whole country. Since 1970, thanks to the organizational effort of the "Mision Andina," the number increased to 1,219 in the highlands alone by 1972, and to 2,026 by 1977.<sup>2</sup>

It is important to emphasize the influence communes have had in the formation of agricultural cooperatives. The commune essentially joins families that have lived in an area for several generations and have developed a system of biological (kinship) and spiritual (compadrazgo) relationships. Commune members work the common land in individual holdings, and on certain occasions act for the common good or collaborate in the performance of certain tasks with other members of the commune. These tasks may include helping another member build a house or joining in a festive communal work effort to build a road or a school for the community.

It is interesting to note the extent to which cooperatives in Ecuador have adopted the traditional social and cultural traits that have evolved over several hundred years in the form of the commune. Cooperatives also join heads of families that are bound by kinship or neighborhood ties. They are formed for the common good of all members in order to acquire land, to farm it individually or in common, with major decisions about land use and other social or production-related issues determined jointly by all cooperative members. Cooperatives have adopted a social and cultural cohesiveness typical of a traditional rural society based on groups of related, extended families. Some of the

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<sup>2</sup>Santana.

kinship groups that were incorporated into the plantation agriculture system as forced laborers have been formed, as a result of the Agrarian Reform Law, into cooperatives that have adopted the traditional features that characterized these groups before their traditional social organization was destroyed. It is important to understand the historical evolution of the commune in order to observe these connections.

The commune is the result of the long and successful agricultural development that occurred in America prior to the discovery and conquest of the New World. The Inca Empire was able to expand its frontiers by incorporating the agrarian communities that existed throughout the Andes.

These communities, designated by the Quechua term "ayllu," presented distinct cultural aspects particular to each region or locality in the Andean world. The unifying aspect was that all these groups were organized around the extended family, which constituted not only a unit of production but a social and political unit as well. The ayllu was represented by an elder who was the chief and acted as a social and political broker with the Inca imperial state. The system functioned through the principles of reciprocity and redistribution. Within the ayllu, symmetrical exchange was maintained among relatives, while an asymmetrical exchange pattern was the norm with neighboring ayllus. The Inca imperial state collected the production surplus of all the ayllu communities and redistributed the surplus in the form of public works, protection, jobs, commodities, and festivities.

In most of Ecuador, especially in the Sierra, the Spanish conquest disrupted this system, incorporating the kinship groups into the agricultural plantation system called the hacienda system. In this manner, the ayllus became incorporated into a plantation labor force regimentation system called the huasipungo system. Since the Agrarian Reform Law, these groups have reverted to cooperative organization, with many characteristics that resemble communes.

In the coastal area, for very specific reasons, several Indian groups in Guayas and Manabi provinces remained free and became owners of very large tracts of land. An example is the Chongon Community, which was recognized as a free landholding entity as early as 1543, having a territory of 57,000 hectares, of which more than 60 percent is prime agricultural land. Its present day population is about 1,000, but only 320 are legal members of the commune (i.e., descendants of the original native families that lived there at the onset of the Spanish conquest).

The agricultural cooperative, in its quest for land, tends to displace or replace the commune. Since the Government has granted special privileges such as exemption from import duties

and access to credit to cooperatives, it has been suggested that "The Ecuadorian Government through the proper agencies should take the necessary measures to insure the transformation of communes into cooperatives."<sup>3</sup>

Ecuadorean farmers have used either form of organization to achieve their purposes, and the community leaders use what means they have at their disposal to satisfy the groups' needs. Both the commune and the cooperative are organized around kinship relations, which are fundamental to all forms of agrarian social organization in Ecuador, as in the entire Andean world.

When the cooperatives are active, motivated, and have access to financial resources, their achievements benefit the rest of the community, even communes. Such is the case of the Cooperativa San Fernando, which exists within the Comuna San José de Rubio in Cotopaxi Province. The cooperative built the community center and contributes to the maintenance of a school which is used by the whole group. Similarly, all 63 women members of the Comuna San José de Rubio are related by kinship ties; in 1980 they formed a mothers' club which joined both cooperative members and nonmembers.

In places where there is no cooperative or it has little influence, the commune and its informal committees fulfill the task of acquiring the social services required by the group. The commune at Chongon represents a successful commune which, with income from its agricultural activity and personal contributions by the membership, has provided important basic services to all the inhabitants of the area. The Chongon commune owns a water truck that provides fresh water to the township and three buses to transport passengers between Chongon and Guayaquil, 30 kilometers away. They have repaired and enlarged the local cemetery; requested the telephone company to install a telephone system to Guayaquil, for which the commune will pay; and started a housing improvement program by donating funds to the poorer families of the community to repair their houses. Already enriched by a plentiful supply of shrimp in the mangroves covering a portion of their land, the Chongon commune is now developing an agricultural program to exploit their excellent farmlands. With recently acquired farm machinery, they hope to produce income from large tracts of unused agricultural land and to provide income for unemployed farm laborers in the area.

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<sup>3</sup>Instituto Cooperativo Ecuatoriano (ICE), Estudio Sobre Factores de Existos y Fracaso en Formas Asociativas Compesinas (Quito: ICE, June 1984), p. 16.

A different aspect is presented by the Cooperativa La Esperanza, which exists within the Comuna de Carpuela in Imbabura Province. Several committees have been formed by the cooperative to achieve different goals. Their membership is constituted by cooperative members, heads of communes, and members of the cabildo. These special committees include a parents' association for the improvement of the school facilities, and committees for the expansion of the electric power system, for obtaining piped drinking water, and for helping needy families in the community. All of these committees were formed for social service acquisition rather than for production activities.

New communes are being formed in several regions of Ecuador with the sole purpose of lobbying local or national government or congress to obtain goods and services for the community. These new communes do not own farmland (this constitutes the main difference between them and traditional communes). The land they acquire is suitable for housing and is usually close to townships or large cities, thus having an urban perspective. Generally, these communes begin as committees to improve living conditions, then graduate to precommunes in order to gain services offered by larger adjacent urban centers. It is interesting that many cooperatives have also been formed near urban areas to acquire land for housing.

Generally, cooperatives and communes function in similar ways. Both deal with land and production issues, and both establish special committees in which members and nonmembers participate. The type of community activity varies, but an underlying common goal exists, and its purpose is to obtain the greatest number of benefits for the community as a whole.

No single, valid model covers all the ways in which people may organize themselves in rural Ecuador. Rural Ecuadoreans have formed and benefited from several forms of organization that strive to funnel resources to satisfy the principal needs of the people as they perceive them.

## APPENDIX J

WOMEN AND COOPERATIVES

by Silvia Alvarez and Victoria Dominguez

This appendix describes the role of women in the seven cooperatives surveyed by the evaluation team (see Appendix C). Although the sample is small and may not be representative, some tendencies appear when the data are classified and tabulated.

The data confirm that about 70 percent of rural women in Ecuador work mainly at home, providing care to their families and helping their husbands with agricultural production and marketing. However, a significant proportion (30 percent) of rural women work outside the home to supplement the family income. They work as hired farm laborers, in business (marketing commercially purchased agricultural goods or selling food at festivals), or as teachers or secretaries if they are educated. One worked as a secretary/accountant for a cooperative.

A small group of women in both the coast and the Sierra are cooperative members in their own right, while their husbands work as day laborers for other cooperative members. In Payo Cooperative (Guayas Province, coast), 4 of 12 members surveyed were women. Two of these women were single and two had husbands who were not members. One woman was a founding member who had claimed land from the landlord. She served as the cooperative's first president. Two women inherited their membership, one from a brother who left the cooperative, and another from her father, as she was the eldest child and was judged by the family to be the most competent to carry on the work when he died. The cooperative asked one woman to join and allowed her to acquire land when her husband died. In La Esperanza Cooperative (Imbabura Province, Sierra), three women were founding members, based on their own land claims from the landlord. However, Esperanza Cooperative is composed of descendants of slaves with different cultural characteristics than the traditional Sierran Indian. All seven cooperatives surveyed had at least one woman working outside the home, and five cooperatives had 20 percent to 50 percent of women working outside the home.

Women are not paid equally for a day's labor. At La Torre Cooperative (Chimborazo Province, Sierra), women are paid 60 sucres (S/) per day, while a man is paid S/80. The argument used to justify this inequality is that men work harder and get more done. The Sierra rural women suffer a double exploitation: (1) they are paid less than men and (2) both men and women in the Sierra are paid considerably less than on the coast, where the basic salary is between S/250 and S/350 for a shorter work day.

Women who own land, no matter how little, try to get the most out of the land by working it themselves, by hiring labor, or occasionally by contracting with a crop partner (partidario) who gets half of the crop for his or her work. Of the three women landowners in La Esperanza Cooperative, one has a grandson who works her hectare of land in exchange for part of the sugarcane. Another woman owns three-quarters of a hectare on which she cultivates yucca and beans with the help of partidarios. She also works as a hired hand for S/120 a day during the harvest season and sells mangoes and plantains in season. The third cultivates yucca, beans, and plantain as her main source of income, which she supplements by selling food and refreshments at festivities.

Women's participation in cooperatives is not necessarily limited to women who are members. Several women who are not members but whose husbands are members participate regularly in cooperative meetings. In 15 de Noviembre Cooperative (Guayas Province, coast), most wives attended all meetings, which are generally considered to be community events. However, according to the survey, only one of the four cooperatives surveyed on the coast has a high female participation rate (32 percent), and women do not participate directly in cooperatives in the Sierra.

Women serve as community leaders both on the coast and in the Sierra. At San Fernando Cooperative (Cotopaxi Province, Sierra), two women served on the town council. At Payo Cooperative (Guayas Province, coast), a woman served as president of the cooperative. These cases were discovered without a systematic effort to include women's issues in the survey questionnaire. It is likely that there would be more examples if the team explicitly searched for them.

A small minority of women (15 percent on the coast and 3 percent in the Sierra) claim that they do not understand agriculture. It is not clear whether these women perceive it as prestigious to be able to afford to work only at home or whether they simply provide agricultural labor without understanding the process. Most women in the Sierra admit that they understand agriculture, because in the Sierra women (and their children) work shoulder to shoulder with their husbands.

Women may also contribute indirectly to their families' participation in the cooperative. One wife of a cooperative member, who was employed in the formal sector, joined a credit union, thereby providing access to agricultural credit for her family.

Interviews with wives who were not cooperative members indicated that on the coast, the majority of them (78 percent) do not work outside the household. They carry out domestic chores, including gardening. The majority of women who are not cooperative

members in the Sierra (59 percent) work outside the home, compared to only 22 percent on the coast. Traditionally, Sierra women understand agriculture, because at one time they were tied to the forced plantation labor system. If these women move to the coast, they must learn a different type of agriculture. Thus, these women who are not cooperative members do not know agriculture as well as those who are members because it is rare for a woman to work as a hired hand or to do any cultivation if neither she nor her husband owns land.

In summary, women may participate in cooperatives in Ecuador either as members or as their husband's partners in agricultural production, as well as supplementary income earners. This role is in keeping with traditional women's roles in Ecuador:

As a general principle, women are a fundamental economic part of the household. The young girl, as soon as she is able to, helps her mother in domestic chores. When she is older, she brings water from the well; works her family plot or that of someone else, both sowing and harvesting; gathers firewood for cooking; collects grass and pasture for the animals; and if there is no boy at home will serve as a sheep herder. It isn't strange to find a few girls in the field looking after sheep, while picking up firewood or spinning wool yarn and only eating some toasted corn.<sup>1</sup>

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<sup>1</sup>Mercedes Jimenez de Vega, La Mujer Ecuatoriana, Frustraciones y Esperanzas (Quito: Banco Central del Ecuador, 1981), p. 42.

K-1

## APPENDIX K

### A COMPARISON OF TWO RICE COOPERATIVES

by J. Jude Pansini

#### 1. INTRODUCTION

Cooperative San Felipe and Cooperative 15 de Noviembre are located in the rice zone of the Guayas Basin, about 20 kilometers apart in the canton of Babar. The two represent the most successful and least successful cooperatives in our sample, respectively. San Felipe is fully mechanized, owns its equipment, and has 600 head of cattle as cooperative or individual investments. In contrast, 15 de Noviembre was the only cooperative visited that uses no modern inputs or mechanization because of past failed loans and heavy land repayment debts.

Table K-1 compares key factors in these cooperatives. Their implications for the success or failure of rural development projects form the basis of this analysis.

#### 2. BACKGROUND AND ANALYSIS

A 1975 USAID/Ecuador document on the AID-supported rice cooperative program points to San Felipe Cooperative as a successful cooperative. During its early years, it received technical assistance and credit from its former owner. Later, the cooperative received assistance from the AID-funded supervised credit program of the Ministry of Agriculture for rice cooperatives in the Guayas Basin. San Felipe continues to be a success story. Its lands appear to be well planned, leveled, and cultivated; it boasts a system of sound roads joining the cooperative's administrative and processing center to its rice fields as well as to neighboring cooperatives; it has a boat to provide transport across the river and access to two pickup trucks to handle supplies and marketing; it has a full complement of equipment; it owns cattle; and its leaders appear confident and prosperous (two of the three were wearing gold medallions on noticeably heavy gold chains). The manager had won a lottery a decade earlier and contributed the use of his truck to the cooperative.



Table K-1. Comparison of the Features of Two Rice Cooperatives in Ecuador

Feature	San Felipe	15 de Noviembre
Membership	18	12
Socioeconomic Class	ex-landless laborer	ex-landless laborer
Number of Hectares	500+	40
Hectares Farmed Communally	all	6
Kinship Network	related	related
Residing on Co-op Land	8 of 18	12 of 12
Credit Rating and Access	excellent	poor
Cattle	600 (160 private)	none
Support of Patron	yes	no
Management Assistance	yes	no
Technical Assistance	yes	no
Mechanization	yes	no longer
Irrigation	yes	no
Federated	no longer	yes (FECOPAM)
Active Members	yes	yes
Hired Labor	yes	no
Community Center	no	yes (IRL)
Warehouse	yes	no
Primary School	yes	no need (1 km)
Secondary School	no need (3 km)	no
Potable Water	no	no
Electricity	no	no
Easy Access to Major Road	yes	yes
Leadership Skills	technical	participation
Participatory Meetings	limited	frequent
Group Cohesiveness	limited	yes
High Incomes	yes	no

Cooperative 15 de Noviembre, on the other hand, did not display the trappings of success. Only a dirt track skirting the edge of a rice field provided access to a nearby highway. Otherwise the cooperative relied on river transport. Cooperative 15 de Noviembre has 12 members, 6 fewer than San Felipe.

Both groups came from the same socioeconomic class: former plantation workers who were tied to the land and exchanged their labor for housing and the right to cultivate an acre or so for their personal use. The Spanish word for them, precarista,

derives from their "precarious" hold on the land, because the plot of land allocated to them by the landlord in exchange for their labor (usually 4 days a week) could be taken away at will. The main provision of the Agrarian Reform Law was the abolition of these precarious systems of land tenure, the best known of which is the huasipungo. Most of the members of both cooperatives were huasipungeros. According to the literature, these farmworkers were among the most marginal people in Ecuadorean society. With the Agrarian Reform Law, some of them became landowners with a new set of rights and privileges comparable to those previously enjoyed by the landowners who had exploited them for centuries. In principle, the Agrarian Reform Law of 1964 made allies of planters and those former farmworkers who formed cooperatives. If we assume a family of five for each cooperative member, then approximately 2.5 percent of the population have been beneficiaries of the Agrarian Reform Law.

In the San Felipe Cooperative, the landlord from whom the land was purchased and for whom the cooperative members had previously worked became actively involved in their cooperative endeavor and education. This landlord, Felipe Orellana, was Ecuador's Minister of Agriculture at the time the Agrarian Reform Law was passed. The cooperative was named "San Felipe" in honor of its patron. With the support of their influential benefactor, members of San Felipe received significant assistance from several sources, including access to credit and technical advice. Equally important, Orellana had delegated significant responsibility to his agricultural workers prior to the land reform, so they were familiar with modern production techniques and machinery and could handle simple repairs. This experience factor has been important in several of the "successful" cooperatives evaluated. Nearly all the rice cooperatives assisted under the AID program received poor technical advice, and most had trouble repaying their loans. San Felipe Cooperative avoided that experience because its members knew more than the extension agents providing advice.

The 15 de Noviembre Cooperative received minimal technical assistance from the Federation of Production and Marketing Cooperatives (FECOPAM) and the Institute of Agrarian Reform and Colonization (IERAC). Referring to IERAC, a spokesman for 15 de Noviembre stated, in a most critical manner, that although they were able to take over the land with IERAC's help, they did not receive any subsequent assistance. They did not know what they were getting into. "Entramos como ciegos," one said ("We came in like blind men").

Technical know-how or assistance is especially important in the early stages of a cooperative's development. It appears to be a sine qua non for developing the capabilities of its members to run a successful operation. When the San Felipe members said

that they did not receive technical assistance, it was clear that they did not need it. The statement was not voiced as a complaint, and it was followed by another statement, "We know more than the extension agents who come to advise us." All of the cooperative's wide range of mechanical equipment (two tractors, a caterpillar, a combine, and two large irrigation pumps) are regularly maintained by the cooperative members. Only major repairs require outside help.

At the 15 de Noviembre Cooperative, the only piece of equipment is a broken irrigation pump that was rented from the FECOPAM office in Daule. They have made two unsuccessful trips to Daule to have the pump repaired because none of the members knows how to repair irrigation pumps.

San Felipe belongs to the National Federation of Rice Cooperatives (FENACCOOPARR). The president of the cooperative expressed disdain regarding the circumstances of that organization's demise. He nevertheless explained that FENACCOOPARR provided valuable technical assistance and seminars for cooperative members, especially in administration. San Felipe was invited to join FECOPAM but has declined. The reason given by the president was that "our members have lost confidence in such organizations." An unspoken reason may have been that he saw no need for the few services that FECOPAM provides.

Another feature that distinguishes these two cooperatives is communal versus individual farming. San Felipe farms all of its lands communally and owns and cares communally for 440 of 600 head of cattle. Although San Felipe makes allowances for individual endeavors (160 head of cattle and small garden plots), the cooperative is operated cooperatively in the strict, disciplined sense as one large farm unit. The manager of the cooperative stated that production and profits would not be as high if the members cultivated their plots individually. However, he also mentioned problems of "educating" the rank and file cooperative members who questioned financial and management decisions. General assembly meetings for all cooperative members did not occur regularly, and many members preferred to live in a nearby town because access to services, especially education, was better. The team also noted that the cooperative has had the same leaders since its inception, with the president and manager changing places periodically.

A similar level of cooperative production does not exist at the 15 de Noviembre Cooperative, or at most of the other (successful or unsuccessful) cooperatives visited by the team. Although 6 hectares are worked communally, the major emphasis appears to be on individual plots and individual efforts to work those plots and market the harvests. This is attributable to the essentially subsistence level of production. The cooperative has

trouble making its land payments and has had bad luck with credit, as a result of both poor technical advice and unfavorable weather conditions, including drought and hurricanes.

Last year, members were forced to borrow from a loan shark in exchange for their forthcoming production in order to feed themselves. Faced with a choice between excessively high interest rates and starvation, the need to sell their crop in advance set them back again. There have been other common efforts at 15 de Noviembre, such as the successful request for AID Improved Rural Life (IRL) funds for a community center, which is used as a meeting place and school. Despite the setbacks suffered by the cooperative (or perhaps as a result of them), the cooperative appeared to have unusually harmonious relationships among its members. Living together, confronted by common problems and common loan repayments, the cooperative holds open meetings monthly or even more frequently, and clearly respects the president, who is the eldest member of the main kinship group. In spite of their organizational assets, however, the cooperative appears to be caught in the vicious cycle of the lack of sound technical know-how or advice and a poor production record, which is periodically worsened by adverse weather. If it can continue to make loan payments for another decade, then it may have sufficient capital to invest in better production techniques. Without technical know-how, however, the capital may not yield results.

The communal cultivation of 6 hectares by the 15 de Noviembre cooperative members was less the members' idea than that of the National Development Bank as a condition for extending repayment on the 104,000-sucres loan which is in arrears and prevents them from receiving additional, desperately needed credit.

Cooperativism represents a body of knowledge and methods for working together that the people of 15 de Noviembre are applying to more rudimentary problems. Decisions about the operations of the cooperative appear to be made democratically at monthly cooperative meetings. Although their problems are serious, one senses that hardship combined with kinship and mutual deference has created a close-knit community. Nonetheless, a large body of technical and managerial knowledge has never been made available to this cooperative. In contrast, the members of San Felipe appear to have learned how to run a successful plantation. It is reasonable to assume that many business lessons were learned while working on the plantation of the former minister. Still, the San Felipe Cooperative needs some education about participatory, cooperative decision-making.

San Felipe's credit situation is excellent. For reasons that were not clearly explained but that relate to complicated application procedures, excessive waiting periods, unfavorable short-term conditions (1 year for a specific loan for cattle), as

well as a complaint about bribery, the cooperative's members decided to get their loans from a commercial bank instead of the BNF. Although commercial banks charge a higher rate of interest, they approve credit more rapidly.

### 3. CONCLUSIONS

The unique assistance provided by San Felipe's principal patron, their former landlord and the former Minister of Agriculture, precludes its use as a model for how a successful cooperative might develop. The main lesson to be derived from San Felipe's experience is the importance of technical and managerial know-how for the successful use of credit. Other cooperatives would benefit from additional managerial and technical assistance at the beginning of an endeavor. If the 15 de Noviembre had had access to better assistance, it might be in a far better position now.

The provision of such services, however, does not guarantee success. Although good beginnings can be imposed from the outside (as in the case of San Felipe), they cannot be sustained over time without good leadership skills. In the case of San Felipe, these leadership skills were developed with outside assistance.

Reflecting on 15 de Noviembre, one has the impression that this community lacked a basic orientation and training program that it had a right to expect from those authorities that encouraged its efforts to form a cooperative. And reflecting on the scant data from our San Felipe visit, one has the impression that this cooperative had the good fortune of receiving several very good inputs and recognizing their importance.

L-1

APPENDIX L

BRIEF CASE HISTORIES OF AGRICULTURAL COOPERATIVES

1. SUCCESSFUL COOPERATIVES

Six cooperatives represent success stories in terms of assisting their members to raise production and income. Four of these are rice cooperatives near the coast that operate like large businesses with varying degrees of individual choice or responsibility over production, but with fair distribution of benefits.

1.1 San Felipe Cooperative, Colimes Balzar (Guayas Province, Coast)

San Felipe is a unique case. Cooperative members were experienced farmers who had acquired significant management experience on the plantation they had previously worked for their landlord. This cooperative also had a special patron: the landlord was the socially minded Felipe Orellana, the Minister of Agriculture when the Agrarian Reform Law was passed. He provided technical assistance and credit to ensure the success of the cooperative. The cooperative has mastered the technical, managerial, and financial knowledge necessary to sustain high production and yields. Production is highly mechanized, and the cooperative owns and maintains all the necessary equipment. The land is cultivated cooperatively as a business enterprise. Despite some complaints, members acknowledge that they make more money that way. The cooperative also received assistance for land leveling under the Program to Promote Agricultural Enterprise (PPEA). Currently the 13-member cooperative cultivates about 150 hectares of rice and 100 hectares of maize. They also own over 600 head of cattle (400 collectively). An adjacent cooperative, Las Pampas, received similar assistance from the same landowner and is also doing well. Both of these cooperatives were selected to receive small Improved Rural Life (IRL) activities, of which only one community center appears to have made a lasting contribution. (See Appendix K for further detail.)

### 1.2 La Esperanza Cooperative, Imbabura (Sierra)

This 34-member cooperative converted a 75-hectare portion of a sugarcane plantation into a profitable vegetable business for the Quito market. Each member cultivates approximately 2 hectares individually, using hired mechanical equipment. The president is a competent leader in all aspects of the community and also is serving as the current president of the Federation of Production and Marketing Cooperatives (FECOPAM). Technical assistance, at 1,500 sucres (S/) a visit, was provided by FECOPAM through a Ministry of Agriculture agent. La Esperanza is the only cooperative growing primarily vegetables and the only one to receive effective technical assistance in agricultural production from FECOPAM.

### 1.3 El Roblecito Cooperative, Ricaurte (Los Rios Province, Coast)

El Roblecito has a highly mechanized rice farm of 500 hectares for 43 members. They own all necessary equipment and a rice mill which serves all farmers in the area. They also purchase inputs on consignment for their own use and for sale to local farmers. A competent president advised the evaluation team that technical assistance has not generally been helpful: the agents, strong on theory and weak in practice, know less than the cooperative members. The cooperative obtains credit from the Cooperative Bank through a World Bank loan, from private banks, and from farm supply distributors. The cooperative has been instrumental in upgrading a road to a nearby market and provides bus transport service on a profitable basis for the community.

### 1.4 San Lorenzo Pimoché Cooperative (Los Rios Province, Coast)

San Lorenzo is a 106-member cooperative with 842 hectares of land used primarily for rice cultivation on individually worked plots of 1 to 10 hectares. They have achieved a good credit record with the National Development Bank (BNF) after a disastrous experience with PPEA credit, having repaid it and seven other loans. A tractor and equipment purchased with a recent loan are rented to members for land preparation and planting. Each member makes his or her own decisions on labor, inputs, and marketing. The group is well organized and legally certified and appears to benefit from solid leadership.

1.5 Alianza Definitiva Cooperative, Daule (Guayas Province, Coast)

Alianza boasts the highest rice yields in the province. This cooperative is mechanized and has received substantial technical assistance over 8 years from the Ecuadorean Center of Agricultural Services (CESA), a private organization which is currently assisting 59 cooperatives in the area.

1.6 13 de Enero Cooperative, Daule (Guayas Province, Coast)

This cooperative has had an experience similar to that of the Alianza Definitiva Cooperative. This cooperative has also received assistance from CESA and has sustained high rice yields as a result of the close attention that CESA provides to the select group of fortunate cooperatives that it assists.

1.7 San Fernando Cooperative, Cusubamba (Cotopaxi Province, Sierra)

A small cooperative of 30 members, San Fernando was founded by 14 members in 1968 to acquire land in addition to traditionally inherited lands. This cooperative was the only one visited in the upper highlands (3,500 meters) whose members are primarily Quechuan-speaking Indians with a traditional and conservative Indian lifestyle. All but one of the cooperative members are also members of two neighboring communes (San José de Rubio and Yactahurco). During the 4 years preceding legal approval of the cooperative, the group negotiated the purchase of two pieces of land of 60 and 70 hectares from two different owners. It was after the purchase of the first 60 hectares that the original 14 members were joined by 16 others because, as the cooperative manager suggested, confidence in the cooperative had developed. A private voluntary organization and a local school teacher assisted the cooperative in its legal endeavors. The lands were paid for and title received in 1978.

Each member received three-quarters of a hectare of land for personal use, a total of about 23 hectares. The remaining 100 or so hectares are farmed in common by the members but unequally; that is, some members work on cooperative common lands more than others, for which they are paid accordingly. This has been the rule since 1968. However, a decision was recently made to distribute more of the commonly worked land among the members "for their personal use" for two reasons: (1) older children now need their own plots and (2) individual farming facilitates



recordkeeping for the cooperative, because no records are kept of time worked, input costs, or income on private plots.

Many of the cooperative members benefit from technical agricultural seminars and workshops at the Cusubamba Comuna Center, an adult education facility for commune members. San Fernando Cooperative members are active in this center; in fact, the cooperative's manager is the director of the Comuna Center.

The cooperative has provided several services for its members and the community. It is the only cooperative that has a successful credit program using its own savings. This credit fund was begun because the National Development Bank refused them a loan before the cooperative was legalized. The members decided to establish a communal loan fund specifically for production credits from income received from the sale of cooperative produce. Credit can be obtained by both cooperative members and other community members. The credit fund is drawn from the same moneys that were used to retire the original land-acquisition debt, to build the community center, to pay for the labor of members on communal cooperative lands, and to support community projects such as supplementing the school teacher's salary. In the commune's Urban Center, cooperative members built a one-room community center that serves all 64 households in the community. The cooperative taxes each of its members S/65 annually to supplement the salary of the Government-paid school teacher. The manager of the cooperative maintained that because the cooperative had more money than the commune, it was better able to help the community.

Loans to cooperative members are used exclusively for two purposes: (1) production inputs and (2) the purchase of land. Members are required to sign notes to guarantee these conditions. Initially, interest-free loans were made for a maximum of S/5,000; there is now a 10-percent interest charge and a maximum of S/10,000.

With assistance from an integrated rural development project that operates in the area, the cooperative undertook the reforestation of approximately 3 hectares of cooperative land. Commune lands also have been reforested. At the time of our visit, some cooperative members were receiving a course in soil conservation.

Agricultural practices include crop rotation, animal traction, and plowing. According to the cooperative manager, the cost of preparing a hectare for potatoes (the principal crop, along with barley) has increased from S/1,500 in 1983 to S/4,500 in 1984. That figure includes the cost of plowing, fertilizers, and seed potatoes. There is no crop irrigation but some water is channeled to certain areas for the animals.

The harvests from individual plots are sold by the individual members. The harvests from common cooperative lands are sold at market prices by the president at the public markets of both Cusubamba and the area cantonal seat of Salcedo. The income is turned over to the cooperative manager, who allocates it according to agreed-on decisions: (1) the salary fund for cooperative members for days worked on cooperative communal lands, (2) the loan fund, (3) the teacher's salary supplement, (4) savings for annual profit sharing, and (5) land sharing and other uses as determined by the membership.

## 2. MODERATELY SUCCESSFUL CASES

### 2.1 La Torre Cooperative, Pangor (Chimboraza Province, Sierra)

The 11-member La Torre Cooperative was one of seven agricultural cooperatives established in 1972 on the former lands of the local Catholic diocese of Riobamba. Given the requirements of the Agrarian Reform Law of 1964, the Church gave an undetermined number of hectares in different areas of the diocese to the small private voluntary organization, CESA, which was linked to peasant movements and the Catholic Church. The cooperative purchased 350 hectares of land, 150 of which were tillable and appropriate for the cultivation of the cooperative's two principal crops, potatoes and avo beans. The other 200 hectares, located in upper elevations, are used to pasture its 90 head of cattle.

La Torre Cooperative does not allocate lands for the exclusive use of any member. All lands, both farming and grazing, are held and worked communally; each member receives S/60 for each day worked on the land, plus a share in profits at the end of the year, based on the number of days worked. At present, only 80 of the tillable 150 hectares are being cultivated.

Cooperative lands were purchased with a National Development Bank loan. Two additional credits have been secured for the purchase of tractors. (A "small" non-interest-bearing loan was received from a Swedish organization to help buy the first tractor, which later was in an accident and required repairs of almost S/.5 million.) The cooperative apparently finances its own production costs through the sale of its principal crops. The cooperative's present debt is probably about S/2 million.

El Torre does not appear to have a special marketing plan. Beans and potatoes are stored in the fields where they are harvested until a significant amount (200 quintales of potatoes, or 10 tons) has been accumulated. Then an agreement is reached with

a purchaser for the entire amount. It is the responsibility of the purchaser to transport the crops.

Cooperative members spearheaded the efforts of the townspeople to establish a secondary school by leading trips to the cantonal seat and, in one instance, to Quito to lobby for a favorable decision on the community's request. The request was denied because many households in the community could not afford the contribution requested by the Government to compensate for the paucity of students in the area.

The cooperative functions fairly well as a community organization and as a catalyst for rural development. However, cooperative members continue to be faced with significant debts. In many ways they are in a more precarious financial situation than in precooperative times, because they are now deeper in debt. Having said that, however, cooperative members added that as difficult as their situation is, they would never go back to their former condition. "Now we have our freedom: to work for ourselves and to do as we please."

## 2.2 Payo Cooperative, El Triunfo (Guayas Province, Coast)

Payo Cooperative was established in 1968 under the Agrarian Reform Law by 34 tenant farmers. The cooperative now owns 314 hectares, but cultivates only 160 in individual plots. Like many farms in the Guayas region, the cooperative's lands were devastated by storms and flooding three times within a 6-year period: in 1976 and 1977, and again in 1983 by the hurricane El Niño. Crops were destroyed and lands needed to be reworked.

These setbacks have discouraged cooperative members, to the extent that 5 of the 34 members, as well as some non-cooperative families, left the cooperative farm to seek work elsewhere. The five nevertheless remain members of the cooperative. Those who have left are believed to be worse off than while at Payo, because they work as migrant workers on plantations: "They go from plantation to plantation--wherever they can [find work]." Some of these families may return to the cooperative.

In 1973, the cooperative received a loan for construction of irrigation canals and water retention walls from PPEA, an AID-funded Ministry of Agriculture program for supervising a select number of rice cooperatives. Cooperative members stated that the work was poorly engineered. Drainage and land leveling were inadequate, and the cooperative has never been able to acquire sound irrigation infrastructure. They would like to get another loan to complete the irrigation infrastructure so that they can cultivate two crops per year.

Payo Cooperative's credit situation was greatly affected by the El Niño hurricane. Damage caused by the storms and flooding forced the BNF to restructure the cooperative's debt repayment schedule. It allowed the cooperative a 10-year extension with a 3-year grace period during which only the 17-percent interest is to be paid. However, in restructuring the loan the BNF insisted that members work cooperative lands in common, to facilitate control of the income from the land. Therefore, the cooperative is planning to expand its communal farm operations to 200 hectares in 1985/1986.

Given the fact that cooperative members came to the area of a former plantation where there was only undeveloped land, the cooperative has some significant accomplishments to its credit, despite its "bad luck." First, members worked together in traditional voluntary labor groups to build houses. This practice continues for incoming families of a particular kin group. As the houses were built and private plots of land prepared, common efforts were made to establish a school. At present, 150 children are receiving primary education from three teachers in a building that was built by voluntary community labor--cooperative members or related family members and nonrelated households which have joined the community. The cooperative also underwrote the cost of installing electricity in the school building and provided room and board for the school teacher in exchange for adult literacy classes.

Payo Cooperative benefited from the AID/IRL program by building a community center. In addition, a well has been built and electricity introduced for those who can afford a costly transformer and have houses near power lines. Future plans include a potable water system, electricity for more distant households, and two stores in the community center: one for foodstuffs and household items and one for agricultural supplies.

### 2.3 Cuesaca Cooperative, (Carchi Province, Sierra)

The Cuesaca Cooperative was founded in 1976. Under the Agrarian Reform Law of 1964, its 82 mestizo members purchased 883 hectares of land that were formerly part of a large plantation rented by a U.S. firm from an Ecuadorean owner. The firm is said to have closed down its lemon grass cultivating operations due to problems following the Agrarian Reform Law.

The cooperative cultivates approximately 300 hectares in wheat, barley, corn, and beans. The remaining land is devoted to forests and/or reforestation and cattle grazing for the communally owned 73 head of cattle. The individual plots of the cooperative members comprise about 3 hectares each. The coopera-

tive allows each member a small plot of pasture land plus a family garden plot that is farmed as privately owned land. The cooperative farms approximately 70 hectares communally. However, according to one member, cooperative members do not work on the common farm lands. Instead, the cooperative hires day laborers, generally persons related to cooperative members.

Assistance for establishing the cooperative was received from the Ecuadorean Institute of Agrarian Reform and Credit (IERAC), and IERAC still assists with the accounting. The Federation of Production and Marketing Cooperatives (FECOPAM) provided leadership training, succeeding a similar program provided by the Centro Capacitacion Profesional (CECAP) soon after the cooperative was started. The president stated that they receive no agricultural technical assistance. However, the cooperative presently loans the Ministry of Agriculture land for an agricultural experiment station. An irrigation system was constructed that requires purchasing water from the Ecuadorean Water Resources Institute (INERHI). Moreover, financial assistance has been received from the United Nations Food and Agriculture Organization (FAO) for the construction of a milking shed. Some technical assistance probably accompanied both the irrigation and milking shed, as well as the experimental station.

The cooperative has received two loans from the National Development Bank to purchase two tractors and a herd of cattle. These are in addition to its original debt for the purchase of its land, for which it still owes S/1.17 million, which is being amortized at an annual rate of S/314,000. The cooperative also has incurred legal expenses of approximately S/1 million for a law suit unsuccessfully brought against the cooperative by the former owner of the hacienda plantation. It is not known whether its outstanding debt includes these costs.

The membership is currently discussing the possibility of entering into two business ventures: the purchase of more land using cooperative savings and the purchase of another herd of cattle, for which they will seek a S/3 million loan from the National Development Bank.

To determine whether the Cuesaca Cooperative has been successful as an instrument for improving the quality of rural life, the following points need to be considered:

1. The cooperative began life in a badly divided plantation community where roughly half (about 15) of the plantation residents sided with the former owner in a suit against the cooperative members. These were excluded from membership in the cooperative. Thus, it was difficult for residents to come together to discuss community needs and affairs.

2. Most cooperative members do not live on the plantation but in adjoining rural areas and municipal seats; some of them require local bus transport. At present about 30 members live on the plantation.

3. When the U.S. company decided to abandon its operations on the plantation, it reportedly pulled out everything it was able to dismantle, including electrical generating plants, irrigation systems, wiring, tubing, and so forth.

In short, the cooperative was established in a place that had very few, if any, resources for human development and many things needed to be done. In this context, the cooperative began its work. An old hacienda house-office-warehouse building has been utilized as a one-room school with two teachers, as a center for meetings and administration, and as housing for six families. More traditional houses were built using traditional voluntary labor. A potable water system and a chapel are currently under construction.

### 3. UNSUCCESSFUL COOPERATIVES

#### 3.1 Carlos Julia Arosemena Cooperative, Churute (Guayas Province, Coast)

Carlos Julia Arosemena is a cooperative in name only. It started with 43 members and 650 hectares of land. However, it has never recovered from a disastrous experience with the AID-funded PPEA credit program and corrupt use of cooperative assets. After the PPEA experience, it lost 21 members and sold 350 hectares of its land and its farm machinery to repay the debt. Poor cooperative management and administration, no experience in operating a "modern" farm enterprise, and lack of cooperation in the group-farming endeavor were cited as the reasons for the failure. According to the present manager, "The communal farming caused the debt, because some worked and others didn't." The cooperative is still trying to recuperate from the debt that is attributed to the purchase of farm machinery. According to the present manager, there was no control over the use of the machinery, the former directors worked for their personal gain and never presented an accounting, and the people did not realize what was happening. They purchased all necessary inputs, pumps, and seeders, yet they derived no income from this effort and only increased their debt.

The cooperative's land could produce two harvests per year, but it must be leveled, and canals and a pump would have to be installed. This requires capital that is not available.

Cooperative members are currently farming 2 or 3 hectares each, while the rest of the land remains idle because of a lack of credit. The procedures for applying for credit are considered to be time-consuming and costly in relation to the amount obtained. Most members are forced by economic circumstances to seek outside employment. The cooperative is making an effort to acquire individual land titles for its members, who want no part of collective farming. The cooperative is still functioning, however, and holds assemblies and meetings under new management which seems intent on achieving a degree of prosperity. (See Appendix E for more detail.)

### 3.2 Rio Ruidoso Cooperative, Churute (Guayanas Province, Coast)

The experience of the Rio Ruidoso Cooperative is similar to that of Carlos Julia Arosemena. The group was established on the basis of land acquisition under the colonization program. A cooperative was formed in 1969 with promotion provided by AID for the establishment of the rice cooperatives and functioned fairly well until 1974. It received production credit and, later, credit for irrigation infrastructure (canal) and machinery through PPEA during 1974 to 1976. Crop failures and "low prices" left them with large debts and no access to credit from BNF since 1976. They have remained together to hold on to the land which is embargoed by the BNF. Recently, they reached agreement with BNF to divide the debt among the individual members to be paid back over a 7-year period.

### 3.3 Miguel Salazar Cooperative, Buena Vista (El Oro Province, Coast)

The Miguel Salazar Cooperative was founded in 1966 on the banks of the Negro River. About 70 founding cooperative members invaded the plantation of the Ugarte family. The group subsequently split into two cooperatives. The 500 hectares of land obtained encompassed two types of soil: better soils near the river which had access to water, and a high zone with no water. The low zone was assigned to the Paraiso Cooperative. At first, the cooperative members considered taking some high and some low land for each of the cooperatives, but the Paraiso Cooperative members were against it. The Miguel Salazar cooperative worked well for 8 months because it had good leaders. After the credit was fully expended, each member farmed his own parcel.

A former member interviewed by the team believes that as soon as the good leaders left (for an undisclosed reason), nothing worked well. The new president did not know how to

manage the cooperative. Instead of requesting that a bad loan be refinanced, the leaders hid when the bank collectors came. To this day, the debt is unpaid.

The former member interviewed states that he had 34 hectares and worked them all, even though many other members of the cooperative did not cultivate their land, but rented or sold it. He moved to his land and invested in a home there. He continued to work in his own mechanic shop for additional income, but primarily he wanted to be a farmer. He took out loans for planting rice, corn, winter pasture or hay, plantain, and cacao trees. Each loan failed, in part because the time required for processing was excessively long. The PPEA loan for rice failed because the land was not suitable for rice production since it was in the high rather than the low zone. Finally, the man decided to leave the cooperative because the bank initiated embargo proceedings against him. He sold his land to a rich landholder in the area and repaid the loan. Many other cooperative members met the same fate; only those with money to repay the loans were able to keep their land. Now working as an automobile mechanic, the former member stated that the cooperative still has not repaid its loans.

3.4 15 de Noviembre Cooperative, Colimes Balzar (Guayas Province, Coast)

The reader is referred to Appendix K, "A Comparison of Two Rice Cooperatives," for a description of this cooperative.



M-1

APPENDIX M

CASE STUDIES: CREDIT UNION COOPERATIVES

1. CARCHI COOPERATIVE, TULCAN (CARCHI PROVINCE, SIERRA)

Carchi Savings and Loan Cooperative was started in 1964 in Tulcan, the capital of Carchi Province. A credit union cooperative with nearly 4,000 members and a staff of 16, it covers the province of Carchi. The cooperative has one branch office, but serves any member who travels to Tulcan. Its members include eight agricultural cooperatives and some communes. Approximately 80 percent of members are farmers and 80 percent of loans are provided for agricultural purposes, including the purchase of livestock and land. Other loans are made for housing, vehicles, commerce, and personal consumption.

The cooperative has made numerous efforts to provide agricultural services, including an input supply service, tractor rental service, and a potato marketing service. Each of these services failed because of poor management or excessive subsidies. Presently Carchi Savings and Loan has plans to invest in a building that will include a library and a funeral parlor.

Asked about the Directed Agricultural Production Credit (DAPC) program, the cooperative manager stated that there were 600 cooperatives participating in the program, of which about 120 were viable cooperatives. The supervised aspects of the program were good for the farmers, because they had to prepare farm investment plans. Although no longer formally required, farm investment planning has been incorporated into the cooperative's own planning. The DAPC program was popular because it was the only farm credit available at the time.

Carchi Savings and Loan received assistance from the Federation of Savings and Loan Cooperatives (FECOAC) and the Confederation of Latin American Credit Unions (COLAC). It also belongs to the Cooperative Bank and COPSEGURO, a cooperative insurance program.

The location of this credit union has contributed to its success. Carchi Province is the most developed province in the Sierra, in part because it borders on Colombia. Its population of 120,000 consists primarily of mixed Spanish and indigenous peoples who began to settle there 100 years ago. The province has one of the highest per capita incomes in Ecuador, based on commerce and agriculture. The people are highly literate (95 percent). The average farmer controls 20 to 30 hectares and owns a truck. The poorer farmers belong to cooperatives and communes.

Even cooperative members understand commerce and smuggling, with many selling their produce to Colombian traders. Carchi Province is well served by a total of seven credit unions, with a combined membership of 21,180 in 1982, or approximately 80 percent of the province's population.

2. SANTA TERESITA COOPERATIVE, JULIO ANDRADE,  
(CARCHI PROVINCE, SIERRA)

Santa Teresita Credit Union was founded in 1964 as the first savings and loan cooperative of Carchi Province; it went bankrupt in 1979. The initiative to organize Santa Teresita came directly from AID's project in support of credit union development. Both CUNA and later CLUSA were involved in the formation and subsequent development of this union, which was the favored case study during the lengthy AID project implementation period. At the time of project implementation, Julio Andrade was about 12 hours' drive from Quito; at the time of this evaluation it took the team about 3 hours by paved road.

The credit union served three communities including Julio Andrade. The approximately 100 members were smallholders who had acquired land either prior to the Agrarian Reform Law through sympathetic landlords or after the Agrarian Reform Law by invading and taking over land that they had cultivated before. The credit union joined farmers who sought agricultural credit and technical assistance. It participated in the DAPC program, which AID channeled through the Cooperative Bank to credit unions.

The credit union went bankrupt in 1979 because of mismanagement by the manager, who had political connections and left for a job in Quito when the cooperative collapsed. According to former cooperative members, including the president at the time of the collapse, members suspected mismanagement of the union but were afraid to challenge the manager because of his political connections. One member interviewed by the team stated that the manager did not allow the committees to function. This member served on the vigilance committee and suspected mismanagement when certain questions were inadequately answered. Having been trained in accounting by the AID project, he knew what information to request and withdrew from the credit union when the manager refused to provide it. Although he received his initial capital investment, he did not receive the interest due on it. The manager was accused of making loans to nonmembers who lived outside the zone of influence of the cooperative. He was also accused of lending for poor investments.

A former president of the credit union generally concurred with the analysis of the former member. He was the credit union's

first president. He moved to Quito for a few years and reports that when he returned,

I accepted [the presidency] without knowing that the cooperative was in a poor state. I tried to recover the debts that existed.... Fundamentally, the poor loan policy was what made Santa Teresita go bankrupt.... Funds were lent with no guarantees, little care for the Credit Committee, and maybe pressure from management. The debtors asked for credit without plans for its use and used it for marriages and baptisms instead of agricultural production. Some 60 members of the 500 total at that time did not pay. I tried to take them to court, but it did not work.

When the credit union collapsed, many members lost their savings, often a significant amount for these smallholders. Other members gained from the collapse, because they had outstanding loans that were never repaid.

The team found what appeared to be some enthusiasm for "cooperativism" as a social phenomenon. However, the consensus among former members was that there was too much distrust from the previous experience to warrant the establishment of another credit union. Some former members had since joined other land-acquisition cooperatives to acquire additional land. Most former members belonged to other credit unions in the province. Three major credit unions, based in Tulcan, serve most of the province. Because these large unions extend their services throughout the rural areas of the province, there is little need to form another small credit union for which the local community would have to provide management skills. Although Santa Teresita collapsed, it generated a demand for credit union services that has been met through the large, urban-based unions. Therefore, some measure of success can be claimed for this credit union, despite its collapse.

3. UNION Y PROGRESO COOPERATIVE, PASAJE,  
(EL ORO PROVINCE, SIERRA)

The Union y Progreso Cooperative was formed in 1967 with assistance from FECOAC and CUNA and has grown to 6,000 members. During this period, the community of Pasaje has grown from 5,000 to about 45,000 people. The majority of cooperative members are farmers from nearby farms in a radius of about 15 miles. The agricultural community that the cooperative services produces bananas, cocoa, maize, beans, and vegetables. The average farm size is about 30 hectares.

The manager of the credit union is an accountant who also teaches economics and statistics in the local secondary school. The credit union has a capital of 20 million sucres (S/); 300 loans were made during the past year. Members may borrow up to three times their deposited savings for agriculture, and two times their savings for other purposes. The interest rates are 1.35 percent per month for loans and 8 percent per year for savings deposits. About 70 percent of loans are made for agricultural production, livestock, and infrastructure. Other loans are made for housing, commerce, and personal use. The credit union has a consumer outlet open only to members that sells consumer and agricultural inputs.

In 1983, the community suffered from the effects of hurricane el Niño. Agricultural repayments were slow, and no money was available to relend. However, the cooperative has recently benefited from an Inter-American Development Bank (IDB) loan through FECOAC, which will provide funds for lending.

During the first decade of the cooperatives's existence, FECOAC provided training courses in management and accounting, and assistance with accounts. However, during the past 7 years, FECOAC has provided no training or assistance, with the exception of that accompanying the IDB loan.

The manager feels that the most important contribution of the cooperative is its assistance to the agricultural community, because it is the only source of credit to individual small farmers in the area. Furthermore, the credit is processed on a timely basis and is offered on more reasonable terms than those offered by private or public banks.

#### 4. EL TRIUNFO COOPERATIVE (GUAYAS PROVINCE, COAST)

El Triunfo Credit Union was founded in 1968 with assistance from FECOAC and CUNA. Located on the major trunk road south of Guayaquil, the cooperative served a community of about 20,000 people located within a 20-mile radius and has grown from about 30 to 1,500 members.

The credit union no longer functions as a result of problems surrounding an investment that it made about 3 years ago with a S/3 million loan from the Cooperative Bank. The loan was to be used for construction of a three-story building to house the credit union and to serve as a commercial rental property. Construction halted after the first year, and the building has not been completed because of increased costs resulting from inflation fueled by devaluation. The cooperative is 2 years behind in making payments on the loan. It needs about S/7 million to

complete the building, which was reportedly assessed at S/20 million in its current form. The president hopes that the new Government will facilitate the acquisition of a loan to complete the building.

In the meantime, the credit union is not functioning, and members' deposits cannot be withdrawn. Thus, many members have left the credit union and have lost their savings. These financial problems have led to considerable internal dissension. According to the president, there is no spirit of cooperativism, and some members try to impede activities because they are jealous that they are not the managers. After a recent audit that was only S/10 short of a balance, some members wanted to commission another audit to check the results. The president stated that he has always wanted to serve the cooperative and has not even requested per diem for travel on behalf of the cooperative.

Initially the credit union received training and technical assistance from FECOAC. However, no assistance has been forthcoming for the past several years, even for resolving its present problem. FECOAC seems to have made no effort to advise the credit union on how to handle the situation. Because the credit union has significant capital in the form of its unfinished building, it could theoretically pay its debts by selling the building and then repaying its members' deposits or starting to make loans again.

Prior to its demise 3 years ago, the union benefited the community in many ways, primarily by assisting businessmen and farmers.

5. RIOBAMBA COOPERATIVE, LTD., RIOBAMBA  
(CHIMBORAZO PROVINCE, SIERRA)

Riobamba Cooperative was begun in 1977 and presently has 1,900 members. It functions in the provincial capital of Chimborazo, along with four other savings and loan associations with up to 8,000 members.

The cooperative provides credit to farmers and businessmen. Agriculture accounts for about 60 percent of loans, followed by housing, commerce, and personal loans.

The cooperative joined FECOAC because it wanted help in management and auditing. To date, FECOAC has not provided these services. The cooperative requested an audit about 6 months ago, but has received no response.

6. OSCAR EFREN REYES COOPERATIVE, BANO  
(TUNGURAHUA PROVINCE, SIERRA)

Oscar Efren Reyes is a small credit union for secondary school teachers located in an agricultural and resort community in the central highlands. It has 54 members, and the manager is the accountant for the Oscar Efren Reyes Secondary School. She is paid S/500 a month for managing the union, which makes loans of up to S/60,000 for members.

In 1976, the cooperative joined FECOAC because the members felt that they could benefit from some of the services offered, specifically, an outside audit and training for members. The cost of joining FECOAC is a percentage of annual profits, or about S/2,500 for this cooperative. FECOAC did the audit as requested, and charged for the service. FECOAC has not provided training or other technical assistance.

The manager of the cooperative visited the Department of Cooperatives in the Ministry of Social Welfare to inquire about what services FECOAC should be providing. Ministry staff did not know. She also visited FECOAC headquarters in Quito to request training materials and courses, which FECOAC did not provide.

In 1979, the cooperative stopped paying its annual fee to FECOAC. The manager reported that FECOAC recently sent them a letter saying that if they did not pay their dues, the credit union would be liquidated. She did not believe that they could do this, but is concerned about the consequences of withdrawing formally.

7. JOHN F. KENNEDY COOPERATIVE, CEVALLOS  
(CHIMBORAZO PROVINCE, SIERRA)

The John F. Kennedy Cooperative was founded in 1978 with about 40 members from four communities. Because of management problems, it was dissolved about 5 years later. The cooperative was dissolved at the initiative of its members, after FECOAC stopped providing training and technical assistance.

8. SAN FRANCISCO COOPERATIVE, LTD., QUITO  
(PINCHINCHA PROVINCE, SIERRA)

Founded in 1965, the San Francisco Cooperative has become the largest credit union cooperative in Ecuador. It has a capital of S/6 billion, comparing favorably with all but the largest

commercial banks in Ecuador. It has 13 branch offices throughout Ecuador, and 165,000 members. Approximately 20 percent of all loans are made for agriculture.

9. 13 DE ABRIL COOPERATIVE, BALZAR, (GUAYAS PROVINCE, COAST)

The 13 de Abril Cooperative is located in the medium-size town of Balzar. Founded in 1965, the credit union functioned under aggressive leadership for over 15 years. Many local merchants were convinced to join the credit union during this period, and many received loans. However, the credit union's demise occurred in 1983, when the manager, president, and two other members left town with the entire capital assets of the credit union. The case is presently being litigated; it is not clear whether any of the members' savings can be recovered.

As a result of this experience, it is unlikely that another credit union will be created in the area. However, it is possible that a credit union branch of a respected urban-based credit union could find considerable support in this commercial town, which is also an agricultural crossroads.

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