E.C
334
T291b

PN-AAT-667

41877

INTER-COUNTRY EVALUATION OF SMALL FARMER ORGANIZATIONS

A.I.D. and Small Farmer Organizations: Lessons of the Ecuadorean Experi

Agency for International Development
Library
Room 1656 NS
Washington, D.C. 20523

Judith Tendler

July 1976

For Office of Development Programs of the Latin America Bureau of A.I.D.

A.I.D. Evaluation Studies represent the views of their autho
and are not intended as statements of official policy.

Table of Contents

	Page
List of Tables	iii
Abbreviations and Acronyms	iv
Preface	v
I - Introduction	1
II - The Institutions	7
CUNA, FECOAC and Credit Unions	7
The Directed Agricultural Production Credit Program (DAPC)	12
The DAPC as a supervised program	14
The significance of FECOAC's small farmer credit	19
Were small farmers favored in the system?	21
The credit union as an urban organization	29
Singlepurpose vs. multipurpose credit unions	32
The private sector approach to small farmer credit	34
Other FECOAC achievements	37
The Cooperative Bank of Ecuador	43
Reducing the share of credit unions and small farmers	49
Living off credit: the Coop Bank compared to FECOAC	54
Shifting AID favor from CUNA to CLUSA	58
CLUSA, FENACOOPARR and Rice Cooperatives	60
The political significance of the rice coop project	67
Promotion vs. marketing and full budget support vs. none	69
AID dissatisfaction with FENACOOPARR	75
Lessons from the conflict	78
Pursuing peasant allegiance and marketing at the same time	81
The Land Sale Guaranty, or Program for the Promotion of Agricultural Enterprises (PPEA)	87
The search for a fresh and apolitical organizational home	96
Slow credit disbursement rates	102
Institutional rivalry: PPEA and FENACOOPARR	104
The PPEA style: investment intensity and quick high payoffs	110
Problems of technical assistance, cooperation, and credit delinquency	113
Excessive allegiance to cooperativism, or the PPEA as a strong, centralized, state-subsidized program	118
Supervision, auditing, and "institutionalized suspicion"	124
Conclusion	127

Marketing Cooperatives, The International Development Foundation (IDF) and the Southern Regional Development Authority (CREA). . . . 130

Conflict with the contractor 138
Assisting the service organization as opposed to the farmer organization 141
From marketing coops to input supply stores 144
CREA as market intermediary for its coops 146
AID, and the mystique of the evil private merchant 150
Coop supply stores without price reductions 154
Multipurpose organizations and CREA's infrastructure projects . 156

III - The Issues 163

Performance Standards: Numbers and Democracy. 164
Performance Standards: Self Sufficiency. 174
Self Sufficiency and Charging for Services 183
Self Sufficiency and the Private Sector Approach 194
Self Sufficiency and the Mobilization of Rural Savings. . . . 199
Smallness, Economies of Scale, and Coop Associations 207
Irrigation and Group Formation 219
Infrastructure Projects, Cooperatives, and Decentralized Decisionmaking. 224
Impermanent Groups, the Desire for Land, and Agrarian Reform . 233
The Credit Union vs. the Agricultural Cooperative. 246
Credit Union Elites. 251
The Organization as Broker 261
Exclusion and External Benefits 269
Non-cooperative Groups and Institutionalized Contempt 278
Intermission: Partial Summary and Conclusions 286
Financing the Coop: Marketing vs. Supply Operations 289
Financing the Coop: Communal Farming 297
Coast vs. Highlands. 313

IV - Summary 338

References 377

Tables. 384

List of Tables

		Page
Table I	Credit Union Federation (FECOAC): Selected Values, Year-end 1974.	384
Table II	Credit Union Federation (FECOAC): Credit Balances by Use for DAPC and pre-DAPC Unions, Year-end 1974.	385
Table III	Credit Union Federation (FECOAC): Share of Farmer Members in the System	386
Table IV	Credit Union Federation (FECOAC): Comparison of Rural and Urban Shares, Year-end 1974	387
Table V	Credit Union Federation (FECOAC): Farmer Credit Compared to Ecuadorean Agricultural Credit, 1974	388
Table VI	Credit Union Federation (FECOAC): Farmer Members as Percent of Small Farmers in Ecuador	389
Table VII	FECOAC and BNF: Average Loan Size and Livestock Credit Shares	390
Table VIII	Cooperative Bank of Ecuador: Loan Commitments by Type of Cooperative and Use, 1965-1974	391
Table IX	Cooperative Bank of Ecuador: Credit Union Loan Commitments, Average Values, and Shares by Use, 1965-1974	392
Table X	Program for the Promotion of Agricultural Enterprises (PPEA): Loans Granted and Number of Coops, Members, and Hectares, 1972-1974	393
Table XI	Program for the Promotion of Agricultural Enterprises (PPEA): Cooperatives in Arrears with BNF, October 1974	394
Table XII	Southern Regional Development Authority (CREA): Cooperatives Assisted by the Cooperative Department, Year-end 1974.	395
Table XIII	Southern Regional Development Authority (CREA): Loans Granted to Cooperatives in 1974	396
Table XIV	Credit Union Federation (FECOAC): Average Loan Balances for Farmer and Non-farmer Credit, Year-end 1974	397
Table XV	AID-financed Coop Programs in Ecuador: Selected Values for 1974	398
Table XVI	Rice Cooperative Federation (FENACOOPARR): Costs and Returns from Rice Milling, February 1975.	400

Abbreviations and Acronyms

AID - Agency for International Development

BNF - National Development Bank of Ecuador (Banco Nacional de Fomento)

CESA - Ecuadorean Agricultural Services Center (Central Ecuatoriana de Servícios Agrícolas)

CLUSA - The Cooperative League of the USA

COLAC - Latin American Confederation of Credit Unions (Confederación Latinoamericana de Cooperativas de Ahorro y Crédito)

CREA - Southern Regional Development Authority (Centro de Reconversión del Austro - Azuay, Cañar y Morona Santiago)

CUNA - The Credit Union National Association, Inc.

DAI - Development Alternatives, Inc.

DAPC - Directed Agricultural Production Credit (a program of the credit union federation)

FECOAC - National Federation of Credit Unions (Federación Nacional de Cooperativas de Ahorro y Crédito)

FECOPAM - Federation of Agricultural Production and Marketing Cooperatives (Federación de Cooperativas de Producción Agrícola y de Mercadeo)

FENACAFE - National Federation of Coffee Cooperatives (Federación Nacional de Cooperativas Cafetaleras)

FENACOOPARR - National Federation of Rice Cooperatives (Federación Nacional de Cooperativas Arroceras)

IBRD - International Bank for Reconstruction and Development, or The World Bank

ICA - International Cooperative Alliance

IDB - Inter-American Development Bank

IDF - International Development Foundation

IERAC - Ecuadorean Institute of Agrarian Reform and Colonization (Instituto Ecuatoriano de Reforma Agrária y Colonización)

INERHI - Ecuadorean Water Resources Institute (Instituto Ecuatoriano de Recursos Hidráulicos)

INIAP - National Institute of Agricultural Research (Instituto Nacional de Investigaciones Agropecuarias)

IRL - Improvement of Rural Life (a grant-funded project of the AID mission in Ecuador)

PPEA - Program for the Promotion of Agricultural Enterprises (Programa de Promoción de Empresas Agrícolas)

Preface

This study is the first of a series of two evaluations of small farmer organizations financed by AID in Ecuador and Honduras. I am undertaking the evaluation over the period of a year at the request of the Office of Development Programs of the Latin America Bureau of AID. The purpose of the study is to provide information and judgments that can be of use in the agency's planning of new rural development projects.

The report is based on a five-week stay in Ecuador in January and February of 1975, a week in Washington, and a month of reading AID's Ecuador project files and other materials on Ecuador. I spent more than half of my Ecuador time in the countryside, talking with coop and credit union managers and members, extension agents, employees and managers of coop and credit union stores, and promoters from coop-assisting organizations. I was also able to attend several meetings of the governing boards of individual coops, and meetings between coop promoters and coop members. My remaining time was spent in Quito, Guayaquil and Cuenca, interviewing officials and technicians at the Ministry of Agriculture, the Cooperative Bank, the Banco Nacional de Fomento, the Banco Central, the credit union federation (FECOAC), the rice coop federation (FENACOOPARR), the AID rice coop program office (PPEA), and the southern regional development authority (CREA). I spent roughly one week visiting FECOAC rural credit unions and a few agricultural production coops; one week with the rice coops of the PPEA and FENACOOPARR; one week with CREA and the coops assisted by it; and three days visiting coops and credit unions receiving Coop Bank credit. While working for AID in 1969, moreover, I spent a month with the Ecuador mission in Quito, on TDY from the Office of Development Resources in the Latin America Bureau. At that time, I worked on the Land Sale Guaranty loan, one of the programs evaluated here.

I encountered a remarkable degree of cooperation, openness and interest on the part of AID/Washington, the Ecuador Mission, the Ecuadorean institutions, and the coop contractors. I apologize for any errors or misinterpretations of events that are the unavoidable result of a relatively short period of study.

This study was circulated in draft form in July of 1975. I am most appreciative of the comments that I received. I benefited in particular from the extensive comments of the AID Mission in Ecuador.

Judith Tendler
July 1976

I - Introduction

AID's involvement in small farmer organizations in Ecuador has taken various forms. Much of the variation reflects the history of thinking in the United States about problems of agricultural development, the fact that certain contractor organizations with distinct styles were in vogue at certain times, or the rise and fall of pet projects of AID or contractor personnel. Regardless of how unplanned it may have been, the variety in AID's Ecuadorean cooperative programs provides a rich setting for evaluating differing approaches to cooperative development and donor-recipient relationships.

AID limited itself in Ecuador to the cooperative form of organization, including credit unions. The Ecuador programs were part of a general approach taken to small farmer development problems by the agency, starting in the early 1960s. As is often the case with new styles in development assistance, the AID decision to start working with small farmers through U.S.-type cooperatives and credit unions was more a result of happenings in the United States than of thinking about agricultural development in Latin America.

Consumerism and cooperativism had become popular in the early 1960s among some midwestern senators and congressmen; they pressured to have these concepts incorporated into foreign assistance legislation and technical assistance contracts. Part of

their concern was the result of a growing disillusionment with the pure capital approach to development assistance, in combination with a new interest in grassroots decisionmaking. This new interest came to be reflected in a community development approach to foreign aid, as well as to problems of urban development in the United States. Dissatisfaction had also grown over the fact that U.S. foreign aid seemed to be associated with military governments. Economic development, it was concluded, did not automatically produce political development. Both fronts had to be worked on at once.

Cooperatives and credit unions, it was believed, were a way of working on political development. By getting poor people to realize their potential for group action, it was said, such programs would empower the poor to take some of the fruits of economic development for themselves. In working through cooperatives, AID considered itself as "working directly with the people who would be the beneficiaries of their own selfhelp efforts."[1] Thus to the extent that the cooperative approach was a response to thinking about development problems, it was originally conceived of as more a part of political development than as a way of approaching the economics of agricultural underdevelopment.

Congressional interest in the cooperative approach to

---

[1] AID/E, "Ecuador - Cooperative Bank," Capital Assistance Paper, AID-LA/P-50 (1 June 1964), p. 4.

foreign assistance was also motivated by the fact that cooperatives were important in many midwestern constituencies; two large private cooperative federations, CUNA and CLUSA, were headquartered in Wisconsin and Illinois. Congressional interest in cooperative development abroad, then, involved the expectation that AID cooperative projects would mean technical assistance contracts for the cooperative federations. Few questions were raised, for example, about the suitability of the credit union, an eminently urban institution, to a rural environment; there was little concern about the qualifications of U.S. cooperative organizations with mainly U.S. experience for doing AID contract work with peasant farmers in an underdeveloped country.

Interest in cooperatives and credit unions for Latin America was not a totally U.S. phenomenon. In the late 1950s and early 1960s, various Latin American priests and bishops had taken an interest in organizing such groups. These organizations were seen, in part, as a way of staving off rural violence and the more militant forms of peasant organization expected to follow in the wake of Castro's coming to power in Cuba.[2] This was particularly true in Colombia where violence in the countryside had become

---

[2] United Nations Research Institute for Social Development (UNRISD), Cooperatives and Rural Development in Latin America: An Analytic Report, by Orlando Fals Borda, Vol. III of Rural Institutions and Planned Change (Geneva: United Nations, 1971).

virtually institutionalized. It is probably no accident, then, that the Ecuadorean credit union movement started in Carchi, the province bordering Colombia, and was quite successful there. Many of the Carchi credit unions originated in the organizing efforts of local prelates, and members often recalled Colombian founding fathers with great reverence. The AID Mission, moreover, initiated its credit union activities in Ecuador by inviting for a visit a Father McClellan, who had been working with Peruvian credit unions. McClellan's visit "served to increase interest among Ecuadoreans, especially within the Catholic Church, and in the USAID Mission."[3] CUNA's initial organizing activities in Ecuador were carried out to a considerable extent through Catholic Action groups.

As development assistance thinking changed during the 1960s, the community-organization justification for credit unions and cooperatives started to become outmoded. First came the emphasis on technological change in agriculture, which was outside the realm of cooperatives except as purveyors of the new technology; success in this role has so far been limited. Then came the more recent concern with rural poverty as a structural phenomenon, resistant to poor people's organizations and technical advance. According to this view, rural poverty required a direct onslaught

---

[3]CUNA, "Ecuador: Final Report, 1971" (30 June 1971), p. 6.

with capital and assistance, in contrast to the past reliance on tricklings down or organizings of the rural poor. Organizing was now considered unsuccessful at giving the poor access to what the rich had; or when successful, it was often considered by donors to be embarrassingly disruptive, both for themselves and for the aid-recipient governments. Cooperatives continued to be promoted, however, as potential multipliers of benefits in the regions around them, and as being endowed with economies of scale.[4]

The direct onslaught did not necessarily have a place for cooperatives. By requiring membership and initiation fees as a prerequisite for access to benefits, cooperatives were by definition selective among the rural poor. The cooperative ideology had such staying capacity, however, that it continued to appear on the list of tactics for the direct onslaught. It survived the change in assistance thinking, despite its latent incompatibility with the new strategy, and despite mounting evidence of the limited success of cooperatives in Third World countries. The cooperative approach to rural development may also have outlived the thinking that once justified it because of the lack of ideas about what to replace it

---

[4] In thinking out these last five paragraphs, I was helped by Matthew Edel's "Community Action Programs and Agricultural Development: Reflections on the Colombian Experience," Seminar on Small Farmer Development Strategies, The Agricultural Development Council and the Ohio State University, Columbus, Ohio (13-15 September 1971), pp. 11-18.

with. Only now is assistance thinking starting to deal with this outmoded side of its new rural development strategy. This evaluation, then, does not attempt to catalogue cooperative shortcomings but focuses, rather, on what can be learned from the experience to help build a more effective strategy.

II - The Institutions

AID began its cooperative involvement in Ecuador under the Alliance for Progress with a technical assistance agreement with the Ecuadorean government, signed in July 1962, for the purpose of promoting the organization of credit unions. The task was contracted out to CUNA, the U.S. credit union federation. CUNA was to assist in the setting up of credit unions, of which there were only four in Ecuador in 1961. To assist these credit unions, CUNA set about organizing a credit union federation, FECOAC, which came into existence in June of 1963.

CUNA, FECOAC and Credit Unions

CUNA's initial contract with AID did not give special place to agricultural development or rural credit unions. As discussed below, CUNA's organizing environment had been mainly urban, where credit unions worked best. Shortly after the first AID contract, however, the CUNA program underwent a shift of emphasis to rural credit unions and small farmer credit. In late 1963, the AID mission to Ecuador asked CUNA to draft a proposal for an agricultural credit program, which it came up with shortly thereafter. The Jukes'

Report[1] recommended a directed agricultural production credit program (DAPC) for small farmer credit union members, and a Central Bank loan for FECOAC to finance a pilot project in the town of Julio Andrade in the northern province of Carchi. The pilot program started in 1965 with credit financing from the Cooperative Bank of Ecuador, which had by then been set up with AID financing in late 1964.

When CUNA and the AID mission entertained the idea in 1963 of grafting a supervised agricultural credit program onto their credit union program, they were reflecting a general change in thinking by many that the pure-credit-union approach to rural Ecuador was unsuitable. That CUNA was able to diversify its approach and vigorously promote its new strategy was in part the sign of considerable adaptability. It was in the mid-sixties that the swing in U.S. development assistance thinking toward agriculture began, and it became clear that this swing would take with it the bulk of technical assistance funds for cooperative development. With this new emphasis on agriculture in foreign assistance, CUNA and the credit union would have been at a disadvantage in competing for contracts with other U.S. cooperative organizations, some of which could point to considerable experience with agricultural cooperatives in the United States.

---

[1] AID/CUNA Report on Task Order No. 6. James Jukes was Managing Director of the Kansas Credit Union League. This history outlined in CUNA, "A Report on the Development of a Pilot Project in Directed Agricultural Production Credit Through the 'Santa Teresita Ltda'. Credit Union at Julio Andrade, Carchi - Ecuador," by Percy Avram, Contract no. AID/CUNA csd - 236, Task Order no. 8, Quito, Ecuador (September 1965).

The birth of the directed agricultural credit program in 1965, then, signaled the "ruralization" of CUNA as a cooperative contractor. This diversification did not occur without considerable internal controversy. Even after the change, many CUNA and FECOAC personnel continued to prefer the clean-cut simplicity of the town credit union, for reasons discussed below, and were not sympathetic to the idea of treating the farmer member with favor. This may have constrained somewhat the impact of the program, as discussed below.

The Santa Teresita pilot project in Julio Andrade was successful and by 1968 showed a net income of S/12,528.[2] AID extended its support for FECOAC and the DAPC, and CUNA remained AID's contractor for credit union development for ten years. From 1962 to 1972, AID spent $911,000 on FECOAC, in addition to the credit channeled through its Coop Bank loan to credit unions. (The amounts allotted to the DAPC program were not indicated separately in the AID project agreement until 1973.) After CUNA's departure, FECOAC continued receiving budget support from AID as well as assistance to the DAPC program, which was only a part of FECOAC's activities. Until 1970, CUNA and AID approved all of FECOAC's financial decisions. Decisions had been made exclusively by CUNA and AID at first, and then by all three parties; in 1970, FECOAC was given full responsibility for its fiscal decisions.

---

[2] Jon P. Davis, "A Study of a Pilot Project in Directed Agricultural Production Credit," November 1969, p. 89.

The Ecuadorean sucre was officially exchanged at 18.18 to the dollar until 1971, after which it was exchanged at slightly less than 25 to the dollar.

and CUNA and AID withdrew to an advisory role. Intermittent CUNA contractor services continued to 1972, with AID still supplying more than half of FECOAC's budget.

FECOAC had been targeted for financial self sufficiency by 1972, when AID support was to terminate. Since the federation had gained only 32% self sufficiency by 1971, 62% in 1972, and had dropped back to 47% in 1973, AID extended its support of the federation through the 1973-75 period. This new support was concentrated on the DAPC program, though general budget support for FECOAC continued; the latter amounted to 52% of the FY1973 AID funds budgeted for FECOAC, 43% for FY1974 and 23% for FY1975.[3] Though the 1973-1975 project funds were considered a phaseout of AID support, the 1973 AID budget for FECOAC and DAPC was still three times the annual average for AID support during the 1962-1972 period--US$275,000 vs. $91,000; the FY1974 funds were almost the same as for the previous period, $86,760; and

---

[3]US$142,000 out of $275,000 in FY1973, $37,730 out of $86,760 in FY1974, and $5,000 out of $22,000 in FY1975. The 1973 figure appears under "other costs" in the project budget rather than "FECOAC support." "Other costs" are somewhat indistinguishable from budget support; in this case, they include financial support for salaries, transportation, vehicle maintenance, education and field operations. Because of this fungibility, and the fact that there is no entry in the project budget for "FECOAC support" in 1973 as opposed to the other years and, correspondingly, there is no entry for "other costs" in 1974 and 1975 as opposed to 1973, I count the 1973 "other costs" as budget support. Data from AID/Ecuador, "Noncapital Project Paper (PROP): Institutional Development - Agricultural Cooperatives," Project No. 518-11-995-096.1, Revision No. 2 (22 October 1974), p. 11.

for 1975, the level of funding was reduced to $22,000.

This 12-year period of assistance was the longest for AID support of a cooperative institution in Ecuador. It is too early to tell whether FECOAC will be able to weather the termination of AID support, first projected for 1972 and now extended to 1976. Much of the federation's budget problems resulted from the unwillingness of the member credit unions to pay dues in sufficient amounts and to pay for services such as auditing and technical assistance. Since aid-recipient organizations are often unable to mobilize their own funds until outside budget support is actually withdrawn, it is difficult to predict now whether FECOAC will be able to make the transition. Regardless of its performance on self sufficiency, however, FECOAC can take claim for organizing the only decentralized financial institution in the Ecuadorean countryside. As discussed below, this achievement may turn out to be consistent with the incapacity to be financially self sustaining.

By the end of 1974, FECOAC had 227 affiliated credit unions, both urban and rural, representing 88,977 members. (Data in this paragraph based on Tables I and III.) Credit balances were S/386.2 million at the end of 1974, loans granted in that year amounted to S/481.4 million, paid-in capital was S/21.7 million, and savings balances were S/356.9 million. Of the total number of credit unions, 75 or one-third were considered predominantly agricultural, with approximately 11,063 small farmer members. These farmer members

accounted for S/48.3 million of outstanding credit by the end of 1974, representing 13% of the loan balances of the credit union system. Of FECOAC's 75 predominantly rural credit unions, 28 were participating in the DAPC program and 18 more were being prepared (pre-DAPC) for entry into the program; DAPC and pre-DAPC represented 6,673 and 1,837 small farmer members respectively. The DAPC program, then, was focused on 37% of FECOAC's rural credit unions plus a potential 24% more; it covered 60% of farmer membership plus a potential 17% more.

The Directed Agricultural Production Credit Program (DAPC). Data on the growth of DAPC unions and credit is difficult to establish, because credit unions have entered the program and withdrawn since its inception, and because FECOAC maintains different data for DAPC and non-DAPC unions. Only ten of the current 28 DAPC unions have been consistent members of the program since 1971. For these ten unions, credit for crops and livestock increased by 101% during the 1971-1973 period; the average number of loans per union increased by 66%; and the value of the average loan increased by 34% to US$225 in 1973.[4]

DAPC credit was more favorable than "normal" credit union loans in various ways. As production credit, DAPC loans could be had at more favorable savings-loan ratios than was usual. Farmers could

---

[4] Development Alternatives, Inc., "Strategies for Small Farmer Development: An Empirical Study of Rural Development Projects," A Report Prepared for the Agency for International Development under Contract no. AID/CM/ta-C-73-41, Washington, D.C., May 1975, vol. 2: "Case Studies," p. I-19.

borrow on the basis of savings deposits that were one-third the amount of the loan, in contrast to consumer credit which required half the amount of the loan in savings. Consumer credit now accounts for 47% of non-agricultural credit in DAPC and pre-DAPC unions (Table II), and was even a greater share in the early days of the Ecuadorean credit unions. The DAPC program had originally planned for an even more favorable savings-credit ratio for its farmers--one to ten. Various difficulties having to do with acceptance of the program by credit union managers and borrowers prevented the lower ratio from being realized.[5] The 1:3 ratio was valid for all production credit, whether agricultural or not. The non-agricultural production credit that now exists is actually an extension of the production credit concept as introduced by the DAPC program.

In contrast to urban credit union members, farmers had to be allowed to pay off their loans in one large sum at the end of the harvest season, whereas consumer credit had to be amortized in monthly installments. If there was a bad harvest, sympathetic credit union managers would often carry the loan over until the next harvest. DAPC loans were also to be based on farm plans; they were to be disbursed in installments in accordance with the borrower's production needs and contingent upon his compliance with the farm plan. Assisting in the technical assistance required by this approach were ten Ministry

---

[5]Discussion of these problems can be found in DAI, "Rural Development Projects," vol. II, pp. I-14, I-15, I-21, I-27.

of Agriculture extension agents, who now work part-time with the program. FECOAC, as well, has four DAPC extensionists responsible for promoting the program and training credit union managers in its operation.

The DAPC as a supervised program. The DAPC program has been judged wanting in its "directed" aspects by the four major evaluations of it cited below. Technical assistance and supervisory personnel were never abundant enough to supply the projected services, and installment disbursing was considered too cumbersome by most managers. After the first flush of success with the Santa Teresita project, DAPC credit came to look more and more like the "bare bones" credit of the rest of the system, except for the fact that it was more available and lent under more liberal conditions. Davis reported in 1969 that, of the 26 DAPC credit unions, seven had received no technical assistance at all, and eight had received visits of FECOAC promoters only one to four times a month.[6] Keeler reported in 1971 that technical assistance to DAPC farmers was erratic. In some cases, up to 75% of DAPC members received such assistance; in others, only 25%.[7] DAI reported in 1975 that the technical assistance aspect of the program was the weakest,

---

[6] Davis, "Study of a Pilot Project," p. 76.

[7] R. Hayes Keeler, R. Rodrigo Mera and Roberto Cruz P., "Evaluation of the Directed Agricultural Production Credit Program in Ecuador," in A.I.D. Spring Review of Small Farmer Credit (Washington, D.C.: Agency for International Development, 1973), vol. 14 of Small Farmer Credit in Ecuador, no. SR 104, p. 59.

"with only a handful of cooperatives receiving assistance from the ten Ministry of Agriculture extensionists assigned part-time to the program."[8] A private consultant study for FECOAC in 1975 reported that DAPC credit was used to a considerable extent for subsistence needs, with tacit knowledge by all, and that the improved production methods intended by the program could therefore not be achieved. The use of credit for subsistence meant that the farmer borrower shied away from supervision.[9] Indeed, the DAI study found that the DAPC farmer shunned supervision to the point of preferring to pay more for credit without supervision.[10]

Evidence on income changes and the adoption of modern practices as a result of DAPC credit is mixed and of questionable value. A recent evaluation found little difference in the use of modern inputs between credit union farmers and other small farmers.[11] This study, in fact, reported that usage of modern inputs was either considerably low in all cases, or almost 100%; the latter cases were

---

[8]DAI, "Rural Development Projects," vol. II.

[9]Federación de Cooperativas de Ahorro y Crédito (FECOAC), "Estudios de optimización del sistema de suministros de insumos agropecuarios para el sector cooperativo - Informe Final," by Consultores Asociados Ecuatorianos, Quito, Ecuador (January 1975), p. 14.

[10]That is, these farmers preferred a loan no greater than three times their savings, without supervision, than a loan that was ten times savings <u>with</u> supervision. DAI, "Rural Development Projects," vol. II, p. I-15.

[11]FECOAC, "Estudios del sistema de suministros," p. 12.

due to the presence of agroindustrial firms in the region, a finding noted by others, as discussed below. Another study found some difference in input use between DAPC farmers and non-DAPC farmers, but attributed the difference to a self-selection process that drew the more modern farmers to the program in the first place.[12] Two evaluations found that DAPC members who had received technical assistance had consistently higher adoption rates for modern methods than those DAPC members who had not received technical assistance;[13] but the rates of adoption of the non-DAPC borrowers seemed relatively high and not that much lower than those of the DAPC borrowers.

Davis, for example, found that at least one technical input (chemical fertilizer, selected seed, insecticide, or fungicide) was used by 94.5% of DAPC farmers and by 84.1% of credit union farmers receiving only regular agricultural credit; among those farmers completely outside the credit union system, the rate of adoption was 43.9% in the highlands and 61% on the coast (p. 134). The Keeler study claimed that technical assistance had no significant relationship to changes in production (p. 49). The DAI study reported that DAPC members exhibited more knowledge of the use of modern agricultural inputs and techniques (p. I-25). The Davis report suggested that the fast growth rate of the DAPC unions in the 1960s, two to three

---

[12] Da is, "Study of a Pilot Project," p. 108.

[13] Keeler, "Evaluation of DAPC," p. 51; Davis, "Study of a Pilot Project," p. 134.

times that of the non-DAPC unions, was in great part a result of Coop Bank lending to these unions at twice the level of its lending to non-DAPC unions; the DAPC unions had received an average of S/540,752 from the bank, and the other unions an average of S/277,000.[14] This favored position with the Coop Bank was considered much more significant than the extension, education and promotion claimed by FECOAC as the explanation of DAPC union growth.

Differences between credit unions in the use of modern inputs by farmer members were often found to be closely associated with campaigns of private input distributors or food processing firms, rather than with the DAPC program. One evaluator puzzled over the success of the DAPC program in the Guaranda credit union, because there had been "almost no farmer-credit union planning, little technical assistance, and a minimal amount of education."[15] An independent study of the same region also commented on the modernity of its agriculture in comparison to the rest of the country, attributing this development to a wheat promotion campaign. During the 1960s, the national wheat federation had conducted an intense promotional campaign, improved

---

[14] P. 62. I did not obtain data on Coop Bank credit by type of credit union, or on credit union loans by source of credit capital, so it is not possible to verify this contention. The data on Coop Bank lending and credit union lending by type of borrower for 1971-1974 do not support Davis' position, as will be seen below. The Coop Bank, however, reduced its lending for agricultural production credit to credit unions markedly during the 1971-1974 period, as compared to the 1965-1970 period, when the Davis evaluation was made. See Tables VIII and IX.

[15] Davis, "Study of a Pilot Project," p. 12.

seed was obtained from the government research institute, the governmen fixed the price of wheat at more than two times the world price, and private distributor companies conducted even more comprehensive promotion campaigns than the government.[16] The credit union, in short, had appeared and supplied credit at the right moment; but it could take little credit for the adoption of modern inputs. Though the hallmark of the DAPC program was to provide something in addition to "plain credit," then, its main weakness turned out to be precisely in this area in which it was supposed to innovate.

Though the DAPC's technical assistance to and supervision of small farmers were not that successful, the technical assistance of CUNA and FECOAC to credit unions on organizational and financial matters made more of a mark. With respect to plain credit, in other words, FECOAC had done a much better job. It had facilitated the growth of a decentralized financial system with substantial access for the small farmer. Most evaluators felt that DAPC farmers had increased their production and income, whatever the causal chain, and that this had led to increased savings. As the DAI pointed out, moreover, the availability of credit to small farmers liberated them from selling their crops in the green at prices up to 50% lower than those prevailing at harvest time (p. I-25). This accomplishment

---

[16] E. B. Rice, Extension in the Andes: An Evaluation of Official U.S. Assistance to Agricultural Extension Services in Central and South America, Economic Monograph Series no. 8 (Cambridge: M.I.T. Press, 1974), p. 303.

alone was probably more significant than the other improvements that evaluators sought, with such difficulty, to measure. Few official small farmer credit programs in Latin America can claim these achievements.

The significance of FECOAC's small farmer credit. Despite the achievements of the credit union system, described at greater length below, FECOAC's agricultural credit program does not show up significantly in the data. Based on data for all farmer members of credit unions, and not just DAPC participants, the credit union system's agricultural loans amounted to 1.6% of total bank credit to the agricultural sector in 1974 and 2.5% of official bank credit (Table V). Agricultural income to those with annual incomes below $250 per annum, in comparison, accounted for 23% of the agricultural income earned in Ecuador; this group made up 70% of the economically active population in agriculture. FECOAC farmer members, moreover, accounted for only 1.7% of this latter group; they were 1.9% of the total number of agricultural properties below 20 hectares; and they were 2.5% of the total number of small farmers--whether farmowners, sharecroppers or tenants.[17] (Landless farmers were important in credit union membership; they accounted for at least 70% of farmer membership

---

[17] These data comparisons are based on heroic assumptions about the denominators, as explained in Table VI's footnotes; the measures are also somewhat overlapping. The Ecuadorean data on income, farm size and tenancy in the agricultural sector are not adequate enough for a more accurate comparison, though they are no worse than in many other Latin American countries. I have biased my calculations considerably, however, in order to err on the bright side for FECOAC, as explained in the table's notes.

in coastal unions and at least 5% in the highlands; see p. 40.

If FECOAC's agricultural program is compared to other coop programs financed by AID in Ecuador, then the results are quite significant (Table XV). Over a 12-year period, FECOAC had received about US$1.3 million in AID grant funding; none of these funds were for credit, though DAPC credit unions had access to Coop Bank credit which, in turn, was financed by AID. Coop Bank credit to agricultural credit unions, however, became insignificant during the 1970s, as discussed below. The Coop Bank, in comparison to FECOAC, had received US$2.4 million in AID loan funds for credit, plus grant funds for technical assistance, over a 9-year period. The Program for the Promotion of Agricultural Enterprises (PPEA) was the beneficiary of US$3.6 million in AID loan capital, plus grant technical assistance funds, and started operations in 1972. FECOAC, in sum, had received a much lower level of assistance than these other programs; and it had never received AID funds for credit, in contrast to the two other programs, which were mainly credit. By 1974, however, the value of FECOAC's agricultural lending was 50% greater than the agricultural lending of the Coop Bank. Even more impressive, FECOAC's agricultural lending in 1974 was at almost the same level as that of the PPEA program.

Because the DAPC program was an important focus of AID support to FECOAC, especially in recent years, one would have expected a more significant role for farmer membership and credit than turns

out to be the case.[18] By the end of 1974, credit unions classified as rural amounted to 33% of the total number of unions (Table I). But in that the average share of farmer members in these rural unions was only 40% (Table IV), farmer members accounted for only 12% of total credit union membership. DAPC farmers accounted for 7%.

Were small farmers favored in the system? DAPC borrowers were said to have been in a favored position in relation to "normal" farmer borrowers and non-agricultural customers. As noted above, the Davis evaluation reported that the main difference between "normal" agricultural credit and DAPC credit was that the latter loans were considerably larger, because of the greater access of DAPC credit unions to the Coop Bank. The DAI evaluation, six years later, reported that AID had earmarked a significant portion of its loans to the Coop Bank for DAPC lending and that DAPC loans were financed, unlike most credit union credit, with outside capital.[19] Thus one would expect to see a disproportionate share of the system's credit going to farmers, even though the system did not allow for savings to be shifted from one credit union to another. In 1974, however, small farmer loan balances were no greater than their share of membership--12.5% (Table III); their loan commitments seemed to be smaller than their share of membership--10% vs. 12.5%. Though

[18] Again, in order to err on the optimistic side, I have used figures for all farmer credit where I could, instead of just DAPC and pre-DAPC unions; since FECOAC does not disaggregate the data for credit unions outside the latter categories, it was not always possible to use total farmer membership data, or else it had to be estimated.

[19] DAI, "Rural Development Projects," vol. II, p. I-15.

the average size of agricultural loans was 17% higher than consumer loans, moreover, loan balances for business ("comercio") were 50% greater in average value than agricultural loans (Table II). Business was almost as important as consumer lending, accounting for 44% of non-agricultural credit balances, and 22% of total balances. Finally, average loan balances for crop credit of the DAPC unions were 25% smaller than for non-DAPC unions, as can be seen in Table VII; average loan balances for livestock credit of DAPC unions, however, were 45% larger than for non-DAPC unions. These data, in short, seem to show no evidence of favored access to agricultural credit by DAPC farmers--except perhaps in the case of livestock, as discussed below.

As far as Coop Bank credit was concerned, credit union farmers seemed neglected after 1970, rather than favored, by this outside source. Even though the intention of AID's Coop Bank loans was to promote agricultural production credit--or, at the least, any kind of production credit--most of the bank's recent lending to credit unions was concentrated in consumer credit. During the 1971-1974 period, consumer credit amounted to 60% of Coop Bank lending to credit unions and agricultural credit only 17% (Table IX). Even bus transport unions did better than agriculture, with 23% of the credit union lending of the Coop Bank. Agricultural production credit, moreover, is usually expected to involve larger amounts than consumer credit. Yet the average value of Coop Bank loans for consumer credit during this same period was 24% higher than that of agricultural loans (Table IX). Indeed, the average value of loans to the transport

credit unions was 80% higher than that for agriculture. The farmers of credit unions, then, did not at all seem to have been singled out for Coop Bank attention.

Actually, there was no mention in either of AID's Coop Bank loan papers of the DAPC program, let alone any earmarking of funds for it. Until 1970, however, the bank's lending to credit unions for agriculture was relatively important, amounting to 40% of its total loans during the 1965-1970 period (Table VIII). This large share is consistent with the Davis report's claim that DAPC borrowers got loans two or three times larger than regular credit union borrowers. As discussed in the next section, this share dropped considerably to 10% in the 1971-1974 period, suggesting a retreat from, rather than a favoring of, DAPC credit unions. I have found no credit union loan data by source of credit, and no Coop Bank data by DAPC and non-DAPC credit, so that it was not possible to directly verify the extent of outside credit support of the DAPC unions. The indirect evidence, however, does suggest that DAPC borrowers were not doing much better in loan size and source of capital than non-DAPC credit unions, at least in the last five years.

Because of AID's singling out of the DAPC program for extra attention in its 1973-1975 grant project for agricultural coops, one might expect to find an upswing of Coop Bank credit to agricultural credit unions in 1974. Though AID had little influence on the bank by this time, the extra attention paid to the DAPC program might be

expected to qualify more DAPC borrowers for Coop Bank credit. But the contrary was true. In 1974, the agricultural share of Coop Bank credit union lending fell from the three-year average of 17% to 15%, while the transport coops seemed to be on the upswing--moving from a three-year average share of 23% to 28% in 1974 (Table IX). The consumer share decreased slightly, from 60% to 58%. In terms of access to outside credit, then, the heyday of the DAPC may have come and passed long before AID earmarked special grant funds for the program. Further discussion and explanation of this fall in DAPC outside credit is reserved for the following section on the Coop Bank.

The credit union picture for agriculture becomes slightly brighter when focus is narrowed to a comparison of urban and rural members <u>within</u> DAPC unions (Table IV). In the 46 DAPC and pre-DAPC credit unions, farmers accounted for 39% of total membership and 42% of savings; but they held 49% of the loan balances. In that farmer credit was considered production credit, it required less savings than consumer loans; consumer credit, requiring 1:2 savings, accounted for 47% of non-agricultural loan balances, as mentioned above. Farmer loan balances were on the average about 36% larger than consumer loans for these credit unions (Table XIV). Average loan balances to business, however, were 32% greater in value than average agricultural balances; business was almost as important as consumer lending, accounting for 44% of non-agricultural credit balances. Though the farmer share of paid-in capital was 36%, slightly lower than their 39% share of

membership, the farmer share of savings in relation to membership was slightly higher--42% compared to 39% (Table IV).

Since the DAPC unions were recipients of extra agricultural credit and assistance, one would expect the credit disproportion in their favor to be greater than in the pre-DAPC unions. It turns out, however, that the contrary is true. In the DAPC unions, farmers with 38% of membership and 40% of savings hold 47% of the credit balances (Table IV). But in the pre-DAPC unions, farmers with 44% of the membership and 49% of savings hold 59% of the credit balances. In the DAPC unions, in other words, credit shares for farmers are 22% greater than membership shares and 17% greater than savings shares, but in the pre-DAPC unions, credit shares are 34% greater than membership shares and 20% greater than savings shares. The favorably disproportionate share of farmer credit in DAPC and pre-DAPC unions, then, is not only smaller than one might have expected; but it is <u>greater</u> in the pre-DAPC unions. Thus the extra share of agricultural credit in the DAPC unions may not even be attributable to the DAPC program. The special nature of the DAPC program, then, does not show up in the data; the DAPC unions are not significantly different from those outside the program.

There is one remarkable and curious difference between DAPC and non-DAPC unions. More than half the agricultural credit in DAPC unions is for livestock (52%), while the livestock percentage is only 14% for the pre-DAPC unions (Table VII). This livestock credit amounted to S/15.9 million in 1,954 loans; it went for the purchase of 5,670

head of cattle, 656 pigs, and 31,250 fowl. Even if the disparity in livestock credit between DAPC and pre-DAPC unions were not so great, this livestock share would still be remarkably large for a country where livestock production accounts for 8% of the GNP and crops for 22%. It is even larger than the 37% livestock share in the agricultura credit of the BNF (Table VII), Ecuador's biggest livestock lender and the executor of two IBRD livestock loans.[20] From the data, then, the only distinguishing feature of the DAPC from other rural credit in the system was that it showed a remarkable concentration of credit in livestock.

The livestock hallmark of the DAPC program may reflect an unequal distribution of credit to farmer members. Large livestock shares in small farmer credit programs are usually bad signs that a few better-off members are getting large loans to increase their asset holdings. The Keeler evaluation suggests that it was "very probable that some loans which are ostensibly for the raising of cattle are, in fact, used [by the larger farmer] to buy cattle and immediately sell them for a profit."[21] The data on average loan size seem to support this suspicion. In the DAPC unions, livestock loans are on the average 45% larger than crop loans (Table VII). In the

---

[20]The IBRD loans were for US$4.0 million in 1967 and $1.5 million in 1970.

[21]Keeler, "Evaluation of DAPC," p. 46.

pre-DAPC unions, moreover, just the opposite relation holds: livestock loans are 26% smaller than crop loans.

The livestock bias of the DAPC could also represent a beneficial, rather than prejudicial, impact on income distribution. Small farmers often purchase livestock as one of the few ways open to them for saving and acquiring assets, which they may trade later for cash or other assets. As one DAPC manager said, in explaining loan delinquencies on Coop Bank credit, "We are late in paying our obligations to the Bank because the members buy land and animals instead of paying their loans with the income from their products."[22] Moreover, small farmers can often get access to bank credit for livestock purchase, in contrast to other investment credit, because the livestock serve as an easily recuperable loan guarantee. They almost never can obtain bank credit for land purchase, so they often trade in credit-financed livestock to gain cash for land purchase.

I found this sequence of events quite common among Ecuadorean small farmers, not only in the case of credit union credit, but for BNF credit as well. Ecuadorean banking regulations prohibit official banks from financing land purchases, and there is a lot of subsidized livestock credit around. Thus many large farmers also resort to cattle credit as a step toward acquiring land. There is no reason to think that this incentive system would not work at the lower end

[22] As quoted in Keeler, "Evaluation of DAPC," p. 35.

of the income distribution as well. It was not possible for me to determine from FECOAC data and interviews which side of the above arguments the DAPC's livestock bias was on. If the DAPC program is distributing livestock credit fairly equitably, then that is an unusual accomplishment. It is unfortunate that FECOAC does not maintain its credit data in a way that would make it possible to verify this accomplishment.

The aggregate data on urban vs. rural credit unions do not show a consistent picture of small farmer roles (Table IV).[23] In the "rural" unions, it should be remembered, urban members account for about 60% of membership. Members of urban unions account for 68% of total membership and 76% of savings; they have 74% of loan balances, 80% of loans granted, and 88% of paid-in capital. Thus though urban unions generate more credit balances than do rural unions, in relation to their share of membership in the system, the urban unions also show a higher share of savings to back up that credit. Their credit balances, that is, do not seem to show evidence of financing from outside sources--or at least, no greater share of such financing than that going to rural unions. The urban unions do much better than the rural unions in their relative share of paid-in capital, but this relationship does not hold in the breakdown of farmer vs.

---

[23] As mentioned above, these figures represent all credit unions but do not distinguish farmer and nonfarmer membership, capital, credit and savings, in contrast to the data in the paragraphs above.

nonfarmer members in DAPC unions cited above (Table IV).

Small farmers, then, do not seem to be as favored in the credit union systems as they are said to be. It may be that the favor occurred in the form of extra attention by FECOAC personnel, as determined by AID assistance and budget support. The attention, however, is not reflected in the data. Data, of course, always miss important points of stories, as will be seen further below. I want to offer first some explanation as to why it is not surprising that the agricultural side of the credit union system did not turn up more strongly in the data. This enables one to reserve surprise for the unusual achievements of the program, with which this section closes.

The credit union as an urban organization. The credit union is an organizational form most suited to an urban, rather than rural, environment. ("Urban" refers here to small town as well as large city dwellers, as opposed to farmers or agricultural laborers.) In the urban environment, payrolls exist and lend themselves to automatic deductions for savings and credit amortization; in the United States, credit unions had the security of resorting to the garnishment of wages of defaulting borrowers. For those not on a payroll, like shopkeepers, it is not unrealistic for credit unions to require monthly installments of savings and amortization. Small farmers, however, cannot meet these payment rhythms; they have money for savings or debt repayment only once or

twice a year, after their harvests.

The origins of the credit union movement in the United States were in consumer credit rather than production credit. One associates the credit union movement with a television in every lower middle-class household, certainly not with the plight of the small farmer; much of Ecuadorean credit union strength is in these urban environments. Of the credit unions affiliated with FECOAC, 68% are classified as urban, representing the same percentage of total credit union membership. These urban unions account for 88% of the paid-in capital, 76% of savings, and about 77% of the credit (Table IV). The urban component in FECOAC's credit union system is actually considerably higher, in that about 60% of the membership of "rural" unions is nonfarmer--professionals, merchants, shopkeepers, artisans, public employees. This amounts to a total nonfarmer membership share of 87%. Consumer credit, moreover, accounts for 24% of total credit in rural unions, almost as much as agricultural credit (Table II); data is not available for urban unions, where it would be higher. With such an urban cast, credit unions would not have been expected to have any impact in the countryside, or to achieve the kinds of structural breakthroughs for small farmers that agricultural coops were counted on to do.

The results of the credit union experience are not as impressive as they might be also because of the somewhat inadvertent

nature of this development. CUNA and FECOAC, as mentioned above, were not undividedly in favor of "going agricultural." The action was taken against the better judgment of some, who were concerned about the riskiness of small farm lending, and felt financially vulnerable without the built-in safeguards against default in the urban environment. Town-country relations in the credit union system, moreover, were not always smooth. For one thing, there was some disproportion in the sharing of credit; as noted above, farmers had a larger share of credit balances in relation to membership, savings, and paid-in capital. Farmers also had good excuses for being delinquent in comparison to townspeople, in the form of unexpected changes in climate and price; and thus they were sometimes granted renewals. Farmers also received extra assistance along with the credit, at least in theory. Why should the farmers, asked the town stalwarts of credit unions, be the favored children of the system? After all, it was they, the townspeople, who were contributing more than their share of time to the organization and getting less than their share of credit in relation to savings. This question was also being asked by those FECOAC administrators who had been in favor of the town environment for credit unions all along. Feelings toward farmer credit, then, were not always sympathetic, and the relation between country and town varied considerably from one credit union to another.

The complaint that farmers were getting a disproportionate share of resources in comparison to the town was a curious reverse of the usual situation. Agricultural development problems are commonly said to result in part from just the opposite phenomenon. The agricultural sector is said to be exploited for the benefit of urban consumers and industrial growth, through such mechanisms as artificially low price ceilings on domestically produced foodstuffs or government marketing boards that buy cheaply from the farmer and sell dearly.[24] Unfortunately, the FECOAC data does not allow a definitive analysis of this point and of the legitimacy of the townspeople's complaints.

Singlepurpose vs. multipurpose credit unions. In a sense, it seemed as if CUNA and FECOAC did not have the liberty to go agricultural and get outside funding unless they abandoned the singlepurpose creed of credit unions and delivered the new credit program packaged in supervision and technical assistance. Since agricultural production and technical assistance were the focus of development assistance, their program had to fit that mold too. They could not expand into the countryside on the basis of what they had proven good at—consumption credit or unguided credit--either because they may have thought that was not good enough,

---

[24] A recent exposition of this model can be found in Keith B. Griffin, The Political Economy of Agrarian Change: An Essay on the Green Revolution (Cambridge, Mass.: Harvard University Press, 1974).

or because AID would not approve. At that time, doubts had not yet started to appear about the efficacy of credit-attached technical assistance or the necessity of it; and the small farmer's subsistence needs were not yet considered a production input worthy of financing.

That CUNA and FECOAC did not do well in devising and helping set up the technical assistance and supervision features of an agricultural credit program was not so much because they had little experience in agriculture, but because they were used to working with an organizational form that was undiversified. The simplicity of that organizational form was an important aspect of credit union strength. It accounted for the fact that CUNA and FECOAC were successful in getting unadulterated credit to people who had no access to it before--the pure credit task, in which they had considerable experience. The move to the countryside might have been more efficiently made if FECOAC and CUNA could have done it in their own style, without having to turn themselves into a multipurpose program.

One indirect advantage of the multipurpose approach should not be neglected, even though the program's direct goals were not achieved. Town folk sometimes don't get along with country persons; credit union people were town-oriented and town-experienced. This might have made it very difficult to institutionalize a credit program directed toward farmers, even without the technical assistance apparatus. The agricultural extensionists hired by FECOAC to help administer the

technical assistance ended up spending a good deal of their time learning about and advising on credit union procedure--bookkeeping, organizing, promotion, regulations--rather than on agriculture. Some of these promoters came to identify strongly with the farmer unions, and dedicated themselves to furthering their cause. Thus, though agricultural technicians were brought in to make the credit union system multipurpose, their real contribution may have been that they represented pro-farmer forces in the organization. They knew farming and farmers, and felt at home in their world. They enabled the organization to function in the countryside, and adapt its singlepurpose form to that environment. They must have represented an important counterweight in FECOAC to those who would have preferred that the system remain urban.

The private sector approach to small farmer credit. FECOAC and the Ecuadorean credit unions were for other reasons not capable of becoming a more significant countrywide network of small farmer borrowers. FECOAC was a private organization and therefore was not the recipient of official funds for its budget and credit, or favorable measures to facilitate its operations. When an official decision was made to supply credit to small farmers, it was through the BNF and the Coop Bank; the latter was to serve small farmers only in bulk, and the former ended up serving mostly medium and large farmers. Like FECOAC, the Coop Bank was a private organization, but it was provided with public sector funds as part of the AID loans,

as seen below. Though much of the Coop Bank's credit was channeled through credit unions, this was not the result of a policy to make credit unions its outposts in the countryside. At the time of the first and second AID loans, it was the future agricultural coops who were expected to convey Coop Bank credit to small farmers. Though the credit union share of the bank's credit was always high, the agricultural part of that share was eventually sacrificed to the agricultural coops (Table VIII). This occurred against the bank's will and, ironically, only at the insistence of AID. The following section elaborates on this outcome.

The credit unions also did not receive recognition as rural outposts by the BNF, now the country's main supplier of official agricultural credit. Indeed, the BNF until recently would not even lend to credit unions, on the grounds that the latter were credit intermediaries and that most of their credit was for townspeople instead of agricultural production. Only in cases of good relations with individual branch managers was FECOAC sometimes able to convince the BNF to lend to its credit unions for agriculture. The credit union system, in short, was accorded no legitimacy by the Ecuadorean government as a conduit for small farmer credit. This situation, however, had come about partially by design; AID and CUNA were too wedded to the "private sector approach" for it to turn out any other way.

By the mid 1970s, the institutional picture for small farmer credit was the following. The small farmer was "officially" served in groups by a coop bank with no representation outside the capital city. (The law establishing the bank prohibited the setting up of branches; the bank has requested permission for some time to open a branch in Guayaquil and is on the verge of doing so.) Agriculture was officially served by a state development bank which, in contrast to the Coop Bank, was represented throughout the country in 55 branches and did not really serve the small farmer. Then there was the credit union network, the only institution that was widespread and served small farmers. But it was in no way a declared instrument of official policy.

Perhaps the credit union network would not have gone as far as it did in agriculture if it <u>had</u> been the object of official policy; it may not have been able to build itself up in the highly local way that marked its success. But then again, the private and voluntary nature of this financial development probably kept it from growing beyond certain limits. The neglect by AID, CUNA, and FECOAC of the greater savings potential of the rural credit union system, explained below, also contributed to the limitation on FECOAC's impact. The ambivalence of credit union people themselves about going rural must have also placed limits on the potential of the system. In that a disproportionate share of AID assistance to FECOAC

was directed to the agricultural program in relation to membership and credit, and that the extra attention does not show up in the data, some of AID's DAPC assistance may have gone toward fortifying the non-agricultural side of the program. FECOAC itself, in other words, may have kept the system from becoming more significant in agriculture.

Other FECOAC achievements. The credit union system showed other achievements. It was such a small homegrown operation that it did not attract many large farmers hoping to muscle their way in for big loans. Loans were miniature in size compared to those of most agricultural credit institutions. The wife of one medium-sized farmer, for example, belonged to the credit union in order to put money away for small domestic purchases; her farmer-husband was not a member, however, and got production credit from a nearby branch of the BNF. Perhaps an important element in this unattractiveness of credit unions to large farmers was the coexistence of a large agricultural credit institution, the BNF, channeling funds to farmers at subsidized interest rates. The BNF lent to farmers at 12% during the 1960s and at 9% starting in 1972. Compared to credit union lending for crops and livestock of S/48.3 million in 1974, the BNF lent S/1.8 billion (Table V).

Part of the unattractiveness of the credit union to the larger farmer was the fact that its interest rate was higher than that of the BNF--1.2% a month. Of course, the forced savings required

for credit union loans made their real interest rate even higher; perhaps this was offset, however, by the compensating balances or personal contributions often required for development bank credit. The higher credit union interest rate was an unusual case where the credit unions' 1%-a-month credo had inadvertently priced them above the market rather than below it. (The credo has been modified to 1.2% in Latin America and 0.75% in the U.S.) Though 1.2% a month was as much behind the new inflation in Ecuador as it was in many other countries, it at least was above the prevailing interest rate on the lion's share of the agricultural credit in the system, thus keeping the lion's share.

The system's large farmer disincentives would not necessarily mean that the distribution of credit union loans for farmers was highly equal. In such an elite-run system, where savings and outside credit were often inadequate to meet demand for loans, certain inequalities were bound to surface. But, as pointed out in the Keeler evaluation, the fact that DAPC credit recipients were not active in credit union management and operation is some indication that credit was not distributed with undue favor, at the least, to the organization's leaders.[25] Some indication of unequal allocation, however, is suggested by the fact that FECOAC recently promoted the adoption of regulations

---

[25]Keeler, "Evaluation of DAPC," p. 44.

by member credit unions that would (1) require loan applications to be processed in chronological order; (2) allow exception to the former condition only for large requests, in which case all smaller requests would have to be considered first; (3) require that savings on which loan applications were based had to be deposited at least two weeks prior to application for credit and could not be withdrawn until one or two months after granting of the loan.

The time requirement on savings deposits was meant to control the occurrence of wide swings in deposits, which made it difficult for the credit union to estimate its credit availabilities. These swings resulted from large temporary deposits that were made in order to secure a loan and then withdrawn immediately. Many such borrowers would obtain these large amounts from non-institutional lenders and return them after withdrawal, a few days later. For a few days, the better-off farmers could obtain credit from these lenders and afford to pay their high interest rates in order to get access to credit at the credit union. The minimum time limits placed on deposits in these model regulations were based on the calculation that, at the high interest rates charged by non-institutional lenders, it would not be worth it for a credit-seeker to borrow deposit money for several weeks, rather than a few days, in order to secure his loan.

Another significant achievement of the credit union system, though unplanned, was its lending to farmers without land title.

About 71% of a sample of farmer members in the coastal credit unions rented their land. About 5% of the highlands sample rented their lands, and a further 30% operated under a mixed form of tenancy involving ownership-rent or ownership-partnership.[26] These mixed forms usually involved owned parcels that were very small, and thus not attractive as collateral for institutional credit. Indeed, about 62% of the farms worked by credit union members were less than five hectares.[27] Even if farmers owned their land, therefore, its small size might often preclude its acceptability as collateral in traditional credit institutions.

A related and also unemphasized achievement of the program was its lending to farmer-tenants for the purchase of land.[28] Though no figures are available on this activity, it was quite significant in some credit unions and amounted to 40% of total agricultural lending in one union. These loans, moreover, were usually made with the credit union's own capital rather than with external sources of credit. The credits were important in facilitating land redistribution, because official banks were not allowed to grant credit for land

---

[26] There were 82 highlands credit union farms in the sample (38 DAPC and 44 non-DAPC) and 66 coastal credit union farms (16 DAPC and 50 non-DAPC). Davis, "Study of a Pilot Project," p. 112.

[27] Out of a sample of 148 credit union farms (54 DAPC and 94 non-DAPC). Davis, p. 110.

[28] The DAI study also noted this achievement; vol. II, p. I-25.

transactions, and opportunities for land acquisition through the agrarian reform agency were fraught with complication and uncertainty

Another achievement of the credit union system was that it was able to provide credit in rhythm with the planting season. This was no small feat. The much more lavishly funded PPEA program, as described below, had not been able to achieve this meshing of disbursement with the demands of the agricultural calendar. One credit union farmer said the only complaint he had about the credit union was delay in disbursement. When I asked how long he had to wait, he replied, "Sometimes it was as much as eight days!"[29] This compares to average delays of two to three months for the BNF, the major official supplier of agricultural credit in the country and to the PPEA. The facile disbursement pace of the credit unions no doubt relates to the fact that the system is comprised of numerous credit-disbursing outposts that are remarkably accessible and modest, and so local that each member knows the other.

Finally, one of the untold, though limited, success stories of the credit union system is the mobilization of rural savings for fixed-term high-interest deposits from nonmembers as well as members.

---

[29] Footnote 6 on p. 253 suggests that delay was greater than this, though still less than with other institutions. The latter study was made six years before my own, so that the situation may have since improved. Also, delays probably vary considerably with the availability of funds and from one union to the next.

I leave this story for a later section, because of its broader relevance for both the issues of agricultural development and organizational self sufficiency. Similarly, I leave for a later section the important role that the credit union managers came to play as "brokers" for small farmers.

The Cooperative Bank of Ecuador

My evaluation efforts involved less time with the Coop Bank than with any of the other AID-financed coop organizations described here. As a result, this section focuses mainly on the relationship between the Coop Bank project and the credit union federation. It should be read, therefore, as an incomplete and somewhat biased appraisal of the bank. Further evaluation of the bank's ability to play the role of a small farmer credit institution is necessary. Such an evaluation is particularly important in light of the current interest in setting up an inter-American cooperative bank as one way of dealing with small farmer credit problems.

In February of 1965, AID approved a US$1.2 million loan for setting up and financing an Ecuadorean cooperative bank. The purpose of the loan was "to increase agricultural and industrial production through private cooperatives" and "to stimulate the further development of the...credit union movement."[1] In addition to the dollar loan for seed capital, the Ecuadorean government lent S/2 million of PL480 funds to the bank, and later granted S/1.5 million more in PL480 funds, both for purposes of capitalization; subsequently, the government granted S/1 million to cover deficits of the first years. AID provided additional technical assistance through a grant-funded contract for a resident U.S. adviser for a three-year period.

[1]AID/E, "Coop Bank I," p. 1.

The Coop Bank loan was completely disbursed two years after it was made and AID approved a second capitalization loan for $1.2 million in 1969, with the purpose of shifting the bank's activity toward agricultural credit. The loan was to be used primarily to finance subloans to coop members for the importation of U.S. agricultural machinery and, secondarily, for imports of office equipment. The Ecuadorean government lent the bank US$880,000 of local currency PL480 funds. AID continued its grant-funded technical assistance to the bank until January 1973; the bank refused further assistance because, in part, it involved more stringent control on the use of AID funds. By the end of 1974, disbursement of the second AID loan was complete. Also in 1974, the bank paid a dividend to its members for the first time--6% of paid-in capital, the maximum allowed under the law.[2]

The Coop Bank started operations in May of 1965. By the end of that year it had 111 member coops representing 12,580 persons, and had approved 20 loans for a value of S/8.2 million; actual disbursements were S/1.2 million. By the end of 1974, the bank had 299 member coops representing 348,600 and had approved 105 loans amounting to S/70.6 million; disbursements were S/53.2 million. Agriculture accounted for 44% of the value of these loans, of which

---

[2]Banco de Cooperativas del Ecuador, X - Asamblea, 1975, p. 23.

four-fifths went to agricultural coops and one-fifth to the agricultural credit program of the credit unions (Table VIII).

This second coop program of AID in Ecuador was also affected by U.S. institutional rivalries over who would get what share of AID financing for coop projects--rivalries that continue to this day. One of the objectives of the new bank was to supply credit to the new system of credit unions. It seemed a logical next step for AID to help create a supplier of credit to the credit unions, in that this supply was not expected to be forthcoming from existing financial institutions.

To a certain extent, the Coop Bank was the somewhat unanticipated result of a CUNA attempt to obtain financing from AID for a supervised credit department of its <u>own</u>. FECOAC, needless to say, would have preferred having the institutional power over disbursement of such monies. As would be proven later, that power was much more effective in raising member coop contributions, through forced capitalization charges on credit, than any other revenue-raising tactics. FECOAC could charge dues and for services such as auditing and technical assistance, but it had nothing crucial to withhold, like credit, if these charges were not paid. Thus the aforementioned Jukes Report, which became the blueprint for the DAPC program, had recommended a <u>direct</u> S/2 million loan to FECOAC from the Central Bank

for sublending to the Santa Teresita pilot project.[3]

In the meantime, AID had contracted for a report on Ecuadorean coops to a representative of U.S. cooperative banking, Mr. V. W. Lawrence, a former president of the Columbia (South Carolina) Bank of Cooperatives. Lawrence recommended, not surprisingly, that a coop bank be set up to finance Ecuador's agricultural coops, which were expected to emerge in response to AID and Ecuadorean promotion. CUNA, also not surprisingly, argued that AID should finance a line of credit to FECOAC rather than creat a new institution, and that a credit union federation was uniquely skilled for this type of task. The time was not yet ripe for a coop bank, CUNA also argued, since there were not yet any vieble agricultural coops. AID finally opted for the Lawrence report and went about drawing up its loan proposal for a coop bank, at which the new credit unions were expected to satisfy their credit needs. Contrary to the recommendations of CUNA's Jukes Report, then, the DAPC pilot project received its credit from a new Coop Bank. Even after the Coop Bank was created, CUNA tried again in 1967 to convince AID to fund FECOAC directly with capital for its DAPC program. AID, again, was not interested in the suggestion.

The conflict over the institutional form of credit for

---

[3]CUNA, "Pilot Project Santa Teresita," p. 80.

Ecuadorean credit unions reflected a more general controversy, which continues to this day, among U.S. coop contractors and regional federations to which they belonged about how to finance Latin American coops. At the time of the first Coop Bank loan, the U.S. coop federation, CLUSA, was contracted for a long-term technical assistance grant project (1966-1972) in which it was to assist in the promotion of agricultural coops in Ecuador. The International Cooperative Alliance (ICA), of which CLUSA was a member, favored the setting up of independent coop banks. Supervised credit departments in credit union federations, they argued, would be partial to credit unions in their allocation of credit and would not serve other kinds of coops as well. CLUSA had good reason for this concern because, as in Ecuador, CUNA had preceded it in many Latin American countries.

Instead of coop banks, CUNA favored the creation of central credit unions or supervised credit departments in credit union federations, which would be the recipients of AID capital loans. CUNA said that coop banks were much more cumbersome and difficult undertakings than the administration of coop credit by credit union federations. A coop bank, it said, would have to evaluate the economic viability of each coop before making a loan, as well as the economic feasibility of the project for which credit was being sought. The credit union federation, in contrast, was said to need only to know the borrower's record as a financial institution--its debt

capacity, etc. This controversy continues today, and is still relevant to AID project decision making. Though the agency has financed both the supervised credit approach and the coop bank approach, it has made no comparative study of these experiences.

CUNA feared that credit unions would have little power in coop bank directorships in relation to their contributions to capitalization. In that credit unions were initially more numerous than cooperatives in Latin America, and better adapted for credit operations, it was reasonable to expect that coop banks would rely on them for the major part of their capital and operations, at least at the start. By 1971, the confederation of Latin American credit unions, COLAC, alleged that this was exactly what had happened with the coop banks of Ecuador, Colombia, and Peru. Credit unions, that is, accounted for a much greater share of capital and operations than their membership on the boards of directors.[4] This was particularly true in the Ecuadorean case, as shown below. When CUNA recognized that there was no hope for credit department capital in Ecuador, and that the coop bank approach was going to prevail, it demonstrated its political adroitness by embracing the coop bank

---

[4] COLAC/LARO, "Aspectos que deben considerarse para el plan de coordenación entre SIDEFCOOP y COLAC en la organización de mecanismos de financiamento cooperativo en América Latina" (15 November 1971), p. 14. My understanding of the CUNA position on cooperative credit has come from this document and conversations with CUNA/Washington technicians.

proposal wholeheartedly. CUNA and FECOAC worked diligently on the elaboration of the project proposal--as well as CLUSA--and in raising support for it within the Ecuadorean government and AID. FECOAC credit unions accounted for more than 90% of the bank's early credit operations and capitalization, which was not surprising since there were few other coops in existence. Just as CUNA had feared, however, the credit unions were represented by "only" one member on the seven-person board of directors.

Reducing the share of credit unions and small farmers. In face of CUNA's and FECOAC's fears about losing control over credit to another institution, it is ironic that one of the frequent criticisms of the Coop Bank was that it favored the credit unions over other types of cooperatives in its lending. During the first five years of its existence, the bank was exhorted by AID and representatives of other coop organizations to increase the percentage of its lending to other coops. From 1965 to 1970, the period of the first AID loan, bank loans to credit unions accounted for 91% of loan commitments, with other types of coops making up the rest (Table VIII). Agricultural coops received only 5% of the total in comparison to the 39% share of agricultural lending to credit unions in this total. FECOAC and its DAPC program, then, seemed to have fared well under the first Coop Bank loan.

One of the purposes of the second AID loan to the Coop Bank was to bring about "a significant shift of Cooperative Bank activity

toward agricultural cooperative credit and away from credit union financing."[5] In contrast to the first loan, which gave no special place to agriculture, the second loan was directed completely to agriculture in order to enable the bank to "focus its activities more precisely on the provision of credit for agricultural cooperatives with the objective of increasing agricultural production" (p. 15). The second Coop Bank loan, then, was to be a keystone of AID's small farmer program for Ecuador.

By 1974, the bank had achieved the AID goal of reducing the credit union share in lending from the 91% of the previous period to 56% (Table VIII). It had even reduced the share of credit unions in its credit to less than the share of these organizations in total bank membership, which was 63%, or 188 out of 299 member coops. Despite this marked change, however, total agricultural credit decreased as a share of total bank credit, from 45% during the 1965-1970 period to 37% during the 1971-1974 period. (The 1974-only share, 43%, may indicate a trend back to the old level.) Along with the decreased share of agricultural credit in the other period, the agricultural coops had increased their share from 5% to 27% of bank credit (35% in 1974), while agricultural lending to credit unions had decreased markedly from 39% to 11% (8% in 1974). The bank had shifted its

---

[5]AID/E, "Ecuador: Cooperative Bank - Second Loan," Capital Assistance Paper, AID-DLC/P-842 (20 June 1969), p. 16.

lending away from the credit union system's agricultural program to agricultural coops. It had not increased its lending to small farmers, in other words, which was the main purpose of the AID loan.

If AID had wanted to increase Coop Bank lending to small farm agriculture in its second loan, it could have focused on reducing the consumer lending of the bank, which represented more than one-third of its lending from 1965 to 1970, and was the largest single lending category after agriculture during that early period. Since all this consumer credit went to credit unions, AID could have achieved in one blow an increase in the share of agricultural credit and a decrease in the share of credit unions by requiring that the consumer credit share be reduced. (By 1974, this consumer share had fallen only slightly from the previous period, from 36% to 32%.)

For AID to take such a stand would have been completely consistent with the aim of the first Coop Bank loan, which was to promote increases in industrial and agricultural production through credit. Though the first loan also aimed at strengthening the new credit union system, consumer credit was never mentioned as an objective. In reviewing the problems of the first Coop Bank loan, moreover, the second loan paper did not express concern for this high share of consumer credit; it did not suggest that the small farmer credit objective could be furthered by decreasing the consumer, rather than agricultural, component of the bank's credit to credit unions.

It may be argued that for AID to have required the Coop Bank to reduce consumer credit to credit unions in order to maintain the level of agricultural lending to them would have been to exert an undesirable degree of control over the bank's activities. But in its second Coop Bank loan, AID had no compunctions about exerting an even more sweeping type of control; it directed that half of the total loan, $600,000, be used for a machinery pool for the rice coops in the Guayas basin (pp. 16-17).

There is no mystery about the Coop Bank's inclination toward consumer credit and credit unions. These loans required relatively little analysis and were much safer than loans for agricultural credit or cooperatives. Repayment by credit union members in town environments was a surer thing, as discussed above, and consumer credit was principally for townspeople. The easiness of credit union lending for the bank was reflected in the fact that its credit department was judged weak, in a 1971 CLUSA evaluation, in project analysis and in promoting loans.[6] The evaluation noted that this weakness "was not a real problem," however, because most of its lending was directed to the "easy" credit unions. Moreover, the project analysis input that was lacking in the bank had been taken care of by FECOAC, in a sense,

---

[6] CLUSA, "Informe: Identificación de problemas y perspectivas del Banco de Cooperativas del Ecuador," by Gonzalo Sánchez Rivas (February 1971), p. 22.

who helped get affiliated credit unions into shape for borrowing from the bank. In avoiding the more difficult and risky types of credit, the Coop Bank was behaving just like any other financial institution. According to AID's loan justification, however, these were the institutions from which the bank was supposed to differ. The more difficult type of credit need was what the bank was set up to meet.

The AID mission itself had pointed out that the credit unions were a much more developed system of channeling credit than agricultural cooperatives. "Compared with the weakness of agricultural cooperatives as potential customers for the Bank," said the second loan paper, "the credit union movement was well developed at the time the [first] loan was signed and able to present the Bank with a large number of suitable loan applications" (p. 15). In that the second loan's objective was to "continue to support agricultural production by small and medium-sized farmers organized into cooperative groups" (p. 2), it is surprising that the existing system of credit unions was not seen as one of the means to this end. The intent of the second loan paper, then, seemed to be more the promotion of agricultural coops than of small farmer agricultural credit.[7] In fact, when FECOAC obtained AID

---

[7]By 1974, there was some sign that the agricultural coops may still have been weaker than credit unions as Coop Bank customers. Though bank commitments to credit unions in that year were 55% of the total, they accounted for 74% of actual disbursements. Coop Bank, X - Asamblea, 1975, p. 23.

grant financing for the setting up of a supervised credit department in 1973, it was on the grounds that, among other things, the Coop Bank was not serving small farmers.[8] This seemed to complete the circle: AID had financed a DAPC program as an experiment in small farmer credit; it had bypassed FECOAC in creating a Coop Bank to service small farmers; and in the end, it financed the creation of a supervised credit department in FECOAC (without credit) to make up for the fact that the institution it had created to serve small farmer groups was not serving them.

Living off credit: the Coop Bank compared to FECOAC. The Coop Bank was authorized to charge its member borrowers 10% of the value of any loan as a forced capitalization charge; this was reduced to 4% in 1972 on the grounds that it was excessive. FECOAC, in contrast, could only ask that its members pay for dues and services. If it had denied services to its affiliates because of nonpayment, it would have put itself out of business. The federation was thus in the position of handing over well-prepared credit unions to the Coop Bank which, in turn, was able to earn from them a handsome capitalization fee. The 10% capitalization charge on the Bank's lending to credit unions yielded an annual average of about US$69,000 from 1965 to 1970.[9] Since much of the annual amount

[8] AID/E, "Final Report, FECOAC-DAPC Program (5 February 1973-30 June 1974)," by Juan Álvarez, unpaged.

[9] Coop Bank lending to credit unions in 1965-1970 was S/82,398,000 (Table VIII). That represented a loan value increased by the 10%

of AID grant funds for FECOAC ($91,000) were for U.S. contractors, this $69,000 capitalization charge probably was greater than AID's budget support to FECOAC. Thus an administration charge of a few percentage points for FECOAC on these credit union loans of the Coop Bank might have yielded the same amounts as budget support for those years. In 1974, AID assistance to the FECOAC project was $86,760, of which $37,730 was for budget support to FECOAC. For the same year, the 4% capitalization charge earned by the Coop Bank on credit union lending would be US$61,000--more than one-and-a-half times the amount of AID budget support for FECOAC.[10] Thus a 1.5% administration charge for FECOAC on the value (not the balances) of these credit union loans would have brought in the funds required for the federation's budget support in 1974.

AID's Coop Bank loans represented a missed opportunity to give revenue-raising power to the credit union federation. The loans also linked affiliated unions to the future of another organization, and thus lessened the power of the federation to create financial ties with its members. This probably explains the seeming contradiction between the Coop Bank's favoring of credit unions in its lending and

---

capitalization charge, which would be S/7,490,727. Dividing by the then sucre/dollar exchange rate of S/18.18 gives US$412,031 which, when divided by six years, gives an annual dollar average of $68,671.

[10] S/39,618,000 of credit union lending gives S/1,523,769 of 4% forced capitalization; dividing by the sucre/dollar rate of S/25 gives $60,951.

FECOAC's feelings of being sapped of power by the bank. Though the large share of bank loans to credit unions was to the benefit of individual unions and to credit unions in general, it was not to the benefit of the organization to which they were affiliated.

I am not saying that it was a mistake not to channel credit through FECOAC; or that it would be better for the credit unions if they were financially beholden to FECOAC rather than to the Coop Bank; or that a supervised credit department within FECOAC was the only way that credit could be used to empower FECOAC. Rather, the implications of the Coop Bank project for FECOAC's self sufficiency seemed not to have been understood or of interest to AID, even though the future earning power of FECOAC was of major importance in the project agreement. At the least, a charge could have been added to the Coop Bank interest rate which would have automatically reverted to FECOAC, just as some individual credit unions sometimes add a percent or two for administration costs onto the Coop Bank loans they repass to their members. The idea of such an administrative charge for FECOAC seems to have been raised, but it is not clear why it was not adopted. The recent agreement made by the Coop Bank with FECOAC for technical assistance may have been meant to serve this end. (The details of the agreement, referred to in the Bank's 1974 Annual Report, are not known to me.)

Because FECOAC was a grant-funded project and the Coop

Bank a capital project, the implications of the establishment of the bank for FECOAC's organizational future may have gone unnoticed. Different considerations revolve around the designing and approval of the two different types of projects, and different offices and persons are involved. In the late 1960s, moreover, the rice coop projects of the Guayas basin were consuming the attention of many mission officers. As explained below, they promised more excitement and impact than the credit union program; credit unions, as one mission technician said, were "old hat" by then. For these reasons, and because the rice projects were associated with CLUSA, the CUNA-associated credit union program may have fallen somewhat into the shadows; it may have been of little interest in the activity leading to the second Coop Bank loan and to another capital project, described below, which involved the same rice coops.

The concept of federation had been considered by AID as essential to the development of base-level credit unions. That was the main justification for funding FECOAC's budget for so many years. Yet the AID mission's program for small farmer organizations, including capital as well as grant projects, did not reflect that belief. The credit union program was left outside the mainstream of capital lending activity at precisely the moment when it could have benefited from the large credit component of that activity.

Shifting AID favor from CUNA to CLUSA. It is hard not to interpret this shift from credit unions to coops, and the emphasis on agricultural-coop credit to the detriment of agricultural-credit-union credit, as a partial function of changes in the relative institutional power of the U.S. coop contractors in Ecuador. By 1966, CLUSA had become firmly entrenched in Ecuador with a grant-funded technical assistance contract to promote the development of agricultural coops. During the period of disbursement of the second Coop Bank loan, CLUSA was concentrating its efforts on the formation of rice coops and a federation in the Guayas basin. This may help explain why the second Coop Bank loan directed in 1969 that half its credit be spent on a system of rice coops and a federation that was not yet even in existence; and why, at the same time, there was no mention in the loan paper of the already existing credit union infrastructure for channeling credit to small farmers. It also may explain why CUNA's proposal to AID for capitalizing a FECOAC-supervised credit department, made during the time the second Coop Bank loan proposal was in preparation, did not meet with success.

CLUSA's programs may indeed have been more important to AID than CUNA's. The DAPC, after all, was not that smashing a success. As shown above, however, it was not necessary to reduce FECOAC's agricultural credit in order to promote the growth of agricultural coops. Of course, AID's neglect of the credit unions was in no way complete. But it resulted in the fact that by 1974

Coop Bank lending to credit unions for agriculture was only one quarter its lending for consumer credit; the real value of that former category had actually decreased by 1974 compared to its 1965-1970 annual average and taking inflation into account.

Whereas AID was promoting an agricultural program of the credit unions in its grant program, it chose not to give that program a complementary level of support in its capital program when the opportunity arose. More vigorous support from the latter program might have made FECOAC's success in getting credit to small farmers much more significant than it is. It also might have helped avert the federation's self sufficiency problems, which required the extension of AID support beyond projected termination dates--from 1972 to 1976. At the same time that AID was promoting the concept of a credit union federation, then, it was creating another independent organization that would ultimately make individual credit unions more beholden to it than to their federation. The Coop Bank project had resorted to the credit unions as a good and captive source of capitalization at a moment when the credit union federation itself had much less compelling methods at its disposal for getting contributions from members.

CLUSA, FENACOOPARR, and Rice Cooperatives

In accordance with AID's new emphasis on agriculture in the mid-1960s, the Ecuador mission shifted the emphasis of the credit union program to agricultural credit. In a parallel move in 1965, it contracted the Cooperative League of the USA to develop an agricultural cooperative program. A full-time CLUSA adviser arrived in early 1966, and CLUSA remained involved in AID-financed coop program in Ecuador until 1974. From 1966 to 1969, most of the contractor's work was devoted to the organization of a coffee cooperative federation --FENACAFE. Fifty cooperatives were organized into five regional unions, and a national federation was formed. Soon after the period of AID/CLUSA assistance, the federation was intervened by the government because of member disinterest and the selling by members of their coffee export quotas to larger growers.[1] After AID's departure, the federation started up again on its own, and is now survived by a few base-level coops and one regional union, El Oro. The latter coops obtained 10% of the coffee export quota by 1973 and credit from the Coop Bank.[2]

---

[1] CLUSA, "Ecuador Agricultural Cooperative Development: Completion of Assignment Report," by Lewis A. Townsend, Task Order #12, CSD 267 and #4, CSD 2901 (17 January 1973), p. 3.

[2] AID/E, "Audit Report #1-518-73-90, Institutional Development - Agricultural Cooperatives," Project #518-11-995-096.1 (13 March 1973), p. 2.

FENACAFE was not covered in this evaluation because of time limitations and because it involved somewhat larger producers than the other groups. An exhaustive history of the project appears in a report by Lisa Lekis. Analysis of the coffee federation experience, however, could provide a useful comparison to the other projects analyzed here. In contrast to the other programs, coffee coops involved cash crop production for export. Though rice was also a cash crop, it was not for export and it met a good part of the subsistence needs of producers, in contrast to coffee. Much of the attractiveness to members of the coffee coops, moreover, involved their lobbying for a share of the coffee export quota, which was previously in the hands of a small number of large producers. Thus the initial focus of the coffee coops was specific and limited, in contrast to the more diffuse objectives of the other coop programs; this may have facilitated the initial success in organizing. The fact that a major benefit of coffee coop organization was the opportunity for members to traffic in the sale of export quotas is also of considerable interest. Why were the few successful coffee coops able to avoid this occurrence, or was it a phase they passed through and then recuperated from? Finally, the fact that some coops and a regional union grew strong and successful while the federation and the rest of the coops failed, presents an important case study of the issue of base-level vs. regional vs. national coop organizations.

Under its AID contract, CLUSA began studies in 1968 for a rice coop project, the subject of this section. The contractor was the first to promote the formation of base-level coops among rice tenant farmers, including assistance in obtaining land titles and production credit. A rice coop federation, FENACOOPARR, was to be formed in a second phase; with the help of CLUSA, the federation would develop farm supply, milling, marketing, and other commercial activities.[3] These activities were to enable the federation to be financially independent of government, and eventually AID, support. CLUSA and AID worked on the rice project until 1973, when the rice federation refused to renew the project agreement.

In 1971, AID and CLUSA extended the coop development program to yet another coop federation, FECOPAM. FECOPAM, a federation of production and marketing cooperatives, had been in existence since 1968 as not much more than a paper organization. In that IERAC, the agrarian reform agency, had encouraged the administration of land reform through coop groups, the Ecuadorean government, AID, and CLUSA felt that FECOPAM could be revitalized to promote and serve these groups. As in the case of FENACOOPARR, the AID program stressed commercial operations such as input sales and marketing that would help the organization become financially

---

[3]CLUSA, "Completion of Assignment Report" (Townsend), p. 4.

self sufficient.[4] FECOPAM had been "intervened" by the government in 1971 because of financial weakness and mismanagement; hence the self sufficiency goal related to independence from the Ecuadorean government, as well as from AID. A CLUSA visit to FECOPAM coops in the provinces of Imbabura and Carchi in March 1972, however, showed "a marked negative attitude toward FECOPAM among agricultural coops and managers."[5] The coops, it was concluded, were not too interested in helping the federation to become self sufficient through payment of dues or fees for services.

By the end of 1974, FECOPAM had 59 member coops representing 2,788 small farmers. The federation was still under government intervention, however, and continued to receive a good part of its budget from the Ministry of Agriculture. AID had projected 25% financial self sufficiency for 1972, which the federation had not been able to obtain.[6] The manager had resigned in mid-1973, and there was considerable delay in finding a replacement. AID and the Ecuadorean government undertook a joint review of the project in

---

[4] CLUSA, "Ecuador Agricultural Cooperative Development: Termination of Project Report, January 1966 - December 31, 1973," by Herman G. Obregon, Contract AID/csd-2901, Task Order No. 4, pp. 11-12.

[5] CLUSA, "Informe de viaje a las provincias de Imbabura y Carchi del 7 al 21 de marzo de 1972," Memo to Lewis Townsend from Guillermo Freile, March 15, 1972, p. 5.

[6] AID/E, "Audit Report #1-518-73-90," p. 6.

late 1973, and both agreed eventually to terminate AID assistance "because of management deficiencies and inability to respond to recommendations made by USAID."[7]

FECOPAM was not covered in this evaluation because of time constraints, the short history of the project, and its seeming inability to get off the ground. It would be a useful case for comparative study because it was the only federation in existence before AID assistance began. It also represented a heterogeneous group of coops compared to the homogeneity of the rice and coffee groups and the limited purpose of the credit union groups; FECOPAM's members, moreover, were much more geographically dispersed than in rice and coffee. Starting in 1969 and ending in late 1972, CLUSA was also associated with AID grant assistance to a colonization program of CREA, the Southern Regional Development Authority, which also involved considerable Peace Corps participation. This project was not covered in the evaluation.

This summary representation of CLUSA's coop activities in Ecuador shows AID and CLUSA working almost always toward the development of regional or national coop groupings. In all program documents, the federation was assumed essential to the existence of the coops just as in the case of the credit union system. Few

[7]AID/E, "Statement Explaining Reason for Submission of PROP Revision No. 2 - Agricultural Cooperatives - Project 518-15-995-096.1" (22 October 1974), p. 1.

questions were raised as to whether existing coops were "groupable." In the case of FECOPAM, for example, it was pointed out by CLUSA that coop federation was a more difficult task because member coops would cover a "number of separate distinct areas of the country and many different agricultural crops."[8] But this observation was never taken as reason to question the wisdom of the federation approach in the first place. Questions were not raised, moreover, about whether coops would desire the services a federation could offer, or whether they would be strong enough to pay for them. The desire and the strength were assumed to be outputs of the coop program, and not inputs. Promotional and educational assistance were expected to convince small farmers of the desirability of coops and federations, and other assistance was to help make them financially able.

That the federation approach was so unquestionably pursued is a reflection of the organizational design and strategies of the coop contractors in their U.S. environments. An analysis of the Ecuadorean environment might have raised serious questions as to its ability to meet the complex organizational demands of such an approach. Further discussion of this question is postponed to the section on self sufficiency below.

Of CLUSA's three federation projects, the rice program is

---

[8] CLUSA, "Completion of Assignment Report" (Townsend), p. 6.

singled out for discussion here because it laid the groundwork for AID's second capital assistance project in small farm agriculture, the Land Sale Guaranty. (This program, described in the next section, is one of the most important AID projects in Ecuador today.) The rice federation, FENACOOPARR, was formed in 1970 and by 1975 had 45 cooperative affiliates, and was working with 25 additional groups which were not yet affiliated. Together, these two groups amounted to 4,600 small rice producers cultivating 13,000 hectares of land, which gave an average parcel size of three hectares.[9] These lands represented 16% of the land under rice cultivation in Ecuador.[10] In 1974, these groups produced 27,216 metric tons of milled rice, amounting to 19% of the 140,000 tons produced in the country.[11]

In early 1972, FENACOOPARR leased a small mill in Juján and began buying paddy rice from its members for milling. It received an operating capital credit from the Coop Bank of S/1,150,000 to purchase paddy rice, and later signed a contract with the government

---

[9]Unpublished data from FENACOOPARR.

[10]Rice hectareage is estimated at 75,000 hectares for 1973 and 1974 by the U.S. Embassy and at 85,000 hectares for 1973 by the Ministry of Agriculture. Former estimate from U.S. Embassy/Quito, "Annual Agricultural Situation Report" (31 January 1975), p. 10. Former estimate from Ministerio de Agricultura y Ganadería, "Estimación de la superficie cosechada y de la producción agrícola del Ecuador, 1962-1973," n.d.

[11]Data from FENACOOPARR and U.S. Embassy/Quito, "Annual Agricultural Situation," p. 10.

food marketing agency, ENPROVIT, for guaranteed purchase of 80% of its rice production. In 1972, FENACOOPARR sold 934 metric tons of milled rice and byproducts for over S/3 million, with a net return of S/214,000 or 7%. This represented 13% of the total production of its member coops, which numbered 27 at the time.[12] By the end of 1974, after rental or acquisition of other rice mills, FENACOOPARR produced 10,822 tons of milled rice, representing 40% of the production of the 70 coops with which it was working and 8% of the milled rice produced in Ecuador.

The political significance of the rice coop project. The rice project seemed to be the first case where an AID coop project was in the mainstream of Ecuadorean political and economic events. In the middle and late 1960s, there was considerable concern in Ecuador over falling rice production in the Guayas basin and serious unrest caused by tenant farmers claiming right to the land they worked. Agrarian reform was seen by many as a way of dealing with the production as well as the tenancy problem. The story is complex and important; the AID-related part is told here, and the rest is reserved for the last section of the paper.

FENACOOPARR, in contrast to the AID projects that preceded it, had an uniquely political side to it. Much of the AID and CLUSA activity preceding the creation of FENACOOPARR involved the organizing

---

[12] CLUSA, "Termination of Project Report" (Obregon), pp. 6-7.

of rice tenant farmers and urging them to claim their rights under agrarian reform legislation. This sometimes resulted in street rallies, meetings, taunts, and even land occupations. The AID coop technician who would later become FENACOOPARR's general manager was denounced by Guayaquil landowners in the press as a communist and, in an unusual fragment of State Department history, the U.S. consulate in Guayaquil publicly defended him. The press described one of the successful FENACOOPARR coops, Carmela, in doubly opprobrious terms as a "Yankee Communist" cooperative. The U.S. was characterized at a meeting between AID, CLUSA, and Guayas basin landowners as having introduced "the poison of land reform" into Ecuador.[13] AID and CLUSA technicians working on the project were heady with the significance of what they were doing. It was a far cry from the training courses in bookkeeping, leadership, and auditing, typical of coop programs. Suddenly, coop projects had become exciting and could have the same kind of impact on peasants' lives as a multi-million dollar capital project.

How could one explain this new development in view of the tame political history of past AID and CLUSA involvement in Latin

---

[13]AID/E, "Ecuador: Land Sale Guaranty," Capital Assistance Paper, AID-DLC/P-854 (24 June 1969), Annex I, p. 2.

America? Part of the answer is to be found in the section on agrarian reform below. Another part lies in a change of personnel in the AID mission and CLUSA, and in the existence of a small group of individuals in the program somewhat different from the usual. They were a handful of young Kennedy-era liberals, often with experience in the Peace Corps and the grassroots approach that marked that experience; they were also able to get Peace Corps volunteers assigned to their project. The group was almost a freak phenomenon in the late 1960s in Ecuador, a kind of Indian summer for Alliance-for-Progress liberalism and the community development aspirations of the early years of the decade. The group converged in Ecuador at a unique historical moment, which allowed them to do grassroots organizing of peasants in a way that bestowed on their efforts a significance that was much greater than their isolated efforts as Peace Corps volunteers. There was certainly no hint in the rice project proposal that its activities would be so political. AID's coop programs had almost always shied away from such situations; they had a missionary, rather than a militant quality about them.

Promotion vs. marketing and full budget support vs. none. As might have been predicted, the fervent moments of organizing did not last long. The small AID-CLUSA group soon disbanded through turnover. The new technicians tended to be more business- and technology-oriented than the promoters of cooperativism of the past. A rice production specialist arrived in late 1970 to

spend a year; a short-term specialist arrived in the summer of 1971 to evaluate the feasibility of a machinery pool; a marketing specialist arrived in early 1972, and stayed on until the end of 1973 as CLUSA adviser to the project. These changes reflected some AID-CLUSA dissatisfaction with what was considered too much emphasis on promotional activities. It also reflected the shift in development thinking outlined above, whereby the community development approach had given way to an emphasis on agricultural technology. There was somewhat of a contradiction between the promotional approach and the business-oriented one, as discussed later on in this section, a question of emphasis that appeared in one form or another in most of AID's coop programs.

AID support of FENACOOPARR terminated prematurely in 1973 at FENACOOPARR's request, after a final period of conflict between AID, CLUSA, and FENACOOPARR. At the moment of termination, FENACOOPARR's budget was 85% AID-financed, as it had been up to that date.[14] As in the case of FECOAC, it is too early to tell whether FENACOOPARR can successfully make the transition from almost full budget support to self sufficiency. FECOAC, however, will lose its AID budget support in 1976 after twelve solid years of such assistance and at a level of 23%; FENACOOPARR, after only two years, and at a level of 85%.

---

[14] AID/E, "Audit Report #1-518-73-90," p. 8.

One would expect the AID withdrawal to produce more of a transition problem for the latter organization than for the former.

FENACOOPARR is already showing signs of having gained substantial institutional power. Its manager is now on the board of directors of the BNF, the traditional and powerful state developmen bank. Twice it gained entry into the coffers of that institution, receiving a S/560,000 working capital credit in 1973 for its input supply stores, another credit of S/3,249,000 in 1974 for the purchase of inputs and equipment, and a S/54,000,000 loan for rice mills in 1974.[15] In 1974, the Coop Bank granted FENACOOPARR a credit of S/16,000,000 for its machinery pool, which was to provide a path to the federation's self sufficiency. This loan to FENACOOPARR represented one-half of all the bank's loan commitments to agricultural coops and credit unions in 1974. (It was the $600,000 earmarked for this purpose by AID, before the rupture with FENACOOPARR, in the second Coop Bank loan). Finally, FENACOOPARR's general manager was appointed second in charge of the Ministry of Agriculture in late 1974, a position of crucial importance for the federation's future. All these happenings were significant achievements in power politics for a "private" organization only three to four years old and prematurely fresh out of the AID nest.

FENACOOPARR's development has been characterized by two distinct stages: a coop-organizing stage that marked the early

[15] FENACOOPARR, Memoria Anual, 1973-1974, pp. 16-17.

years, followed by a commercial stage, in which the organization turned all its attention to finding sources of financing, mainly through the milling and marketing of rice. The theme of promotion-vs.-business runs through all of AID's coop programs, but in this case, AID's and CLUSA's conception of when the transition to business should occur was much earlier than that of FENACOOPARR. Much of the conflict surrounding the project was related to this issue.

Soon after FENACOOPARR was organized in 1970, AID and CLUSA concluded that the federation should shift its "original emphasis on promotion and technical assistance to the development of a capability to provide commercial services to improve the net income of farmer producers, and to make the Federation a self-financing organization through fees charged for those services."[16] With this change, it was felt that FENACOOPARR should contain its organizing somewhat--i.e., its promotion, training, legal services, and land acquisition activities. In that "the objectives had now come to be the establishment of viable commercial services, well-managed and income-producing for the Federation," it was decided on CLUSA's recommendation that the number of cooperatives planned for affiliation with the federation by 1973 would be reduced from 46 to 35, so that the federation could "consolidate its new

---

[16]CLUSA, "Termination of Project Report" (Obregon), p. 4.

commercial service efforts within a more manageable group of cooperatives with sufficient operational experience to participate in the commercial operations."[17]

Although FENACOOPARR management agreed to this change of concept, there were serious reservations. FENACOOPARR "insisted that many of the technical assistance activities such as accounting training, legal services, and land surveys were still necessary to...existing membership and to the development of new groups...."[18] The self-financing schedule drawn up by CLUSA, however, required a reduction in such activities. Since most federation personnel were not trained in the new activities, moreover, this change would require the federation to undertake "a substantial change in personnel."[19] There was, to put it mildly, a "lack of full support for the commercially oriented services by Federation leadership and staff."[20] CLUSA, finally, wanted FENACOOPARR to work only with those coops who could pay their dues and service charges. FENACOOPARR disagreed, and felt that the federation was obligated to work with any rice coop as soon as it was legally organized.[21] This problem

[17] Ibid., p. 9.

[18] Ibid.

[19] Ibid.

[20] CLUSA, "Completion of Assignment Report" (Townsend), p. 4.

[21] CLUSA files, Washington, D. C.

also came up with respect to FECOPAM. Under the grant agreement, AID was to pay for 40% of the cost of inputs supplied by the federation to the member coops. AID would not disburse, however, until the coop had completely paid in its subscribed capital. The CLUSA adviser to FECOPAM objected to the AID policy on the grounds that FECOPAM had been intervened and was in disrepute with the coops. It was not a good time to ask the coops for financial support of the federation.[22]

Conflicts also grew over AID restrictions on FENACOOPARR spending, which were meant to move the federation more rapidly to financial self sufficiency--restrictions "which FENACOOPARR had already come to consider unrealistic."[23] FENACOOPARR, for example, wanted to use its budget to hire two lawyers to help tenant farmers gain land title under a new agrarian reform decree. AID and CLUSA would not approve the expenditure, on the grounds that it did not fit the federation's new commercial role. In that FENACOOPARR considered such legal assistance crucial in gaining peasant allegiance, let alone title for their land, this refusal created considerable resentment. Conflicts of a similar nature proliferated

---

[22]CLUSA, "Informe Semestral: Situación de FECOPAM y sus programas - Atividades del asesor Gonzalo Sánchez Rivas, Asesor de CLUSA en FECOPAM" (4 July 1973), p. 31.

[23]CLUSA, "Termination of Project Report" (Obregon), p. 10.

leading to the federation's refusal to renew the project agreement in December 1973. As soon as the AID-CLUSA agreement terminated, the federation started to be more like what AID and CLUSA had wanted.

AID dissatisfaction with FENACOOPARR. The criticisms made of FENACOOPARR by AID and CLUSA mainly involved bookkeeping procedures and "self sufficiency" issues. FENACOOPARR, it was felt, was busy whipping up crowds and not worrying about charging for its services; books were badly kept, and there were suspicions of misspending. The federation's board of directors, made up as it was of small farmers, was considered weak and "completely dominated by the Manager."[24] Instead of the "democratically run institution" of AID cooperative program proposals, in other words, the federation seemed tainted with a demagogic paternalism. Paraphrasing an AID audit conducted two years after the federation's founding, it was said that FENACOOPARR lacked sound management practices, made expenditures of questionable value, showed less than desirable technical expertise, and rendered minimal services to member rice coops. The federation, it was said, was therefore weak in management, financial viability, and support from member rice coops, and the management had not formulated procedures for marketing capital or collecting unpaid subscribed capital. The federation was unable to unify its coops enough so that they could market their production

---

[24] CLUSA, "Completion of Assignment Report" (Townsend), p. 5.

in common, and members had therefore not paid their capital pledges. CLUSA, it was said, had transferred too much of its contractual responsibilities to the federation through AID implementation agreements, and CLUSA representatives lacked commercial expertise and a business orientation.[25]

Even if these criticisms were accurate, they missed an important point. An institution involved in organizing peasants to make land claims, and encountering substantial opposition from landowners, was doing political activity and not running a business. One would not expect particularly good books or businesslike behavior from them. In the case of FECOAC, moreover, AID had assisted the organization for several years before concern was voiced over its lack of progress toward self sufficiency. FENACOOPARR, in contrast, was called on the carpet for the management concerns cited above much earlier in its existence. If AID had been relaxed for so long about FECOAC's dependency period, why couldn't it be about FENACOOPARR?

As far as paternalism was concerned, this was the rule, unfortunately, for most coop projects in Latin America. As in the other federations, the FENACOOPARR manager was in no way representative of the peasants. Unlike the leaders of the other federations, however, he held over them the charismatic sway of a populist-type politician,

---

[25]AID/E, "Audit Report #1-518-73-90," pp. 8-30.

and had hitched his political career to their fate. He was to be judged, then, on whether he was able to "deliver" to his constituents, rather than on whether his relation to them fit the model of a cooperative organization.

There were few criticisms of FENACOOPARR by CLUSA or AID on the grounds of what the federation was doing--always on the grounds of what it was not doing. It was as if a curtain of silence had been pulled over the political significance of the federation's activities--whether they were considered favorably or critically. It is true that the relationship with FENACOOPARR had soured by 1971-1972, and that FENACOOPARR itself was moving into a less dynamic stage. It is strange, however, that this unique experience in AID's coop history was not chronicled or talked about. Was what happened in peasant organizing what AID had intended to happen? Would the agency have liked that kind of thing to occur more often in its coop programs? AID may well have concluded from such a discussion that what happened was too hot for it to handle, that it was not interested in financing politics. But even this judgment would have demonstrated to the agency its own limits in "organizing the peasants to help themselves."

In the case of rice coops in the Guayas basin, "politics" was what coop organizing was all about--at least in its initial phases. What the peasants wanted was land; there was no other

reason nearly as compelling for them to come together and cooperate. Satisfying the desire for land, in fact, may be a good first step for a new small farmer organization, as discussed in the section on land acquisition. This type of foray into the political and bureaucratic world might be a much simpler task to start out with than the taking on of the business of milling or marketing rice.

Lessons from the conflict. The FENACOOPARR project was so shot through with personal conflict that it is difficult to form an evaluation of what actually happened. Contractor and AID reports on the project were quite personal; one went to the point of relaying comments about the undesirability of the eating habits of a contractor technician. When conflict did revolve around issues, they were the same kinds of issues over which AID and the coop contractors had shown dissatisfaction in other such projects: bad bookkeeping, weak auditing, little business acumen. These kinds of conflicts, by the way, were almost absent from the AID/CUNA/FECOAC relationship which, after all, lived through a much longer period. There may have been something in the nature of the organization being promoted--credit union vs. agricultural coop--that made conflict a more consistent phenomenon in the case of the latter. At any rate, it is difficult to attribute such a persistent pattern of conflict to individual personalities, when the individuals involved were so often changed.

Another point to be learned from the conflict surrounding

this project is that it was the only AID-funded coop program in Ecuador where the recipient refused further assistance at a time when it was almost completely dependent on AID for budget support.[25a] The Coop Bank also refused further grant assistance, but this came after nine years of association with AID, and after it became clear to the bank that no further AID capital loans would be forthcoming. Though termination of AID assistance was viewed by FENACOOPARR as putting the organization in severe financial straits, it must also have signified that the federation considered itself capable of surviving. Why else would a recipient willingly let go of 85% AID budget support prematurely, or let relationships deteriorate to the point that they were bound to break? The FENACOOPARR conflicts, then, may have been the sign of a healthy and rambunctious organization. From this point of view, the greater calm of AID's relationships with other coop projects might have been just as much a sign of weakness as of compatibility. It was as if the U.S.-determined design of AID's coop programs for the first time aroused a reaction from the Ecuadorean side. AID had spawned an organization that had its own stubborn conception of how to go about things, whether right or wrong, and that felt itself powerful enough to impose this conception on others.

That FENACOOPARR was the only Ecuadorean coop organization that took the bit in its mouth and ran away from AID was no doubt

[25a] It should be pointed out that FENACOOPARR continued to receive AID funds channeled through the Coop Bank, as mentioned above. Some FENACOOPARR coops, moreover, were beneficiaries of the PPEA program.

related to the fact that the project, as mentioned above, was the only one that had grown out of important political events. This meant that Ecuadoreans would have strongly felt ideas about the issues, and that various political careers would in one way or another intersect with the project. There were likely to be political incentives for disagreement with AID and CLUSA or, at the least, political costs for too much closeness. The rice coops, after all, were organized in the spirit of undoing the landholding establishment in the Guayas basin. By historical definition, the project was destined to encounter strong Ecuadorean expressions of how things should be done.

All this is not to say that the criticisms of FENACOOPARR are not valid; or that the organization will survive the AID withdrawal; or, as the criticism goes, that the organization has not exploited to some extent its peasant members in its attempts to finance itself. Rather, the FENACOOPARR experience need not be looked at so sadly by AID and CLUSA, for the conflicts were some indication of an organizational health and vitality that were missing in other such programs. AID should be able to say with some amused pride that FENACOOPARR's general manager got his start in cooperatives in 1962 with an AID-sponsored trip to a credit union conference in Peru, and later as an AID mission employee organizing coops in the CLUSA program.

The irony of this story is that during the period leading up to termination of AID assistance, and after, FENACOOPARR started to become more like what AID wanted it to be, an irony not unnoticed by AID. The federation concerned itself more with setting up income-producing services than with peasant organizations; it lobbied with the government for oligopoly power in the purchase of paddy rice and milling; before the break it moved its offices from the heartland of peasant organizing in the Guayas ricelands--the small provincial capital of Babahoyo--to the more cosmopolitan and coastal Guayaquil, the largest city in Ecuador. At the same time, peasant rice farmers started to say that FENACOOPARR was only interested in itself and not them; that the peasants were being paid little for their rice so that FENACOOPARR managers could live well; that FENACOOPARR was exploiting the rice farmer in order to make a profit in rice milling.[25]

Pursuing peasant allegiance and marketing at the same time. The peasant criticisms of FENACOOPARR provide a good clue to what the the conflict with AID and CLUSA was about. There was something incompatible between the kind of promotional role FENACOOPARR played in its early stages and its later self-financing, marketing

---

[25] I have not dealt with the price question directly. FENACOOPARR claims that the spread allowed by official buying and selling prices does not yield it a reasonable return. See Table XVI for a summary of the federation's costs and returns in rice milling.

role. Self-financing activities at the earlier stage of base-level coop development, as insisted upon by AID and CLUSA, were premature; indeed, they could be downright disruptive, in that they could break up the unity of interest between peasants and federation. In the early stages, that is, the appeal of the federation to the

peasants was its ability to help them gain the land they were working. Many peasants joined cooperatives only for that purpose, with no particular interest in a permanent alliance with such a group undertaking. FENACOOPARR fought for these rice peasants with the landlords, with public officials, and in the halls of the public bureaucracies in which land claims were processed. FENACOOPARR was their broker in these cases; rice coop members often told the same grateful story of how FENACOOPARR had helped them in their struggle for land.

The marketing activities of FENACOOPARR had none of this compelling force. The federation's input supply stores, set up to earn an income for the federation, charged the same prices as private distributors; the price paid by the federation to farmers for their paddy rice was the official price, which was often less than the prevailing market price offered by private intermediaries (Table XVI). Though FENACOOPARR was acutely aware of this problem and vigorously lobbied for increases in the official price, the farmer nevertheless perceived himself as being made to sacrifice his income for the income of the federation. Finally, the federation's taking on of marketing activities cut into its organizing and promotional activities; it took on marketing at the same time that it was reducing its staff in an effort to cope with the termination of AID budget support. The organizing activity, however, had been

seen by the peasants as the most convincing sign of the federation's allegiance to their cause. To have it virtually disappear could not help but be taken by them as a turning away of the federation toward its own enrichment.[25b]

It is too early to tell whether FENACOOPARR has indeed forgotten the peasants and become completely absorbed with its own survival at their cost. The federation is aware of its change in tactics and of what it hopes is a temporary neglect of the peasants. It interprets the change as part of the transition from AID budget support, a period during which it must pull itself up by its bootstraps. It fears that its new found power within the government will be fleeting; it feels an urgent need to consolidate power, at whatever cost in peasant allegiance, before a change in political constellations puts it back where it was. The federation pictures itself as returning to the peasants in the future, after emerging from an intense effort to become politically and financially strong.

It is not yet clear whether FENACOOPARR can play both roles --empowering itself and at the same time acting in the interest of the peasants. It is obvious, however, that successful coop marketing may involve the coercion of unwilling coop members, creating a dichotomy of interests between the marketing and the production

---

[25b] As stated to me by members of FENACOOPARR and ex-FENACOOPARR coops. I reported these feelings to the management of FENACOOPARR. They agreed that many of the rice peasants "justifiably" felt this way, for the reasons discussed in the following paragraph.

units.[26] The dichotomy was particularly marked in this case, precisely because the organization had been established and personnel recruited only for the purposes of organizing, a task into which it had thrown itself deeply and successfully. Its gaining of political allegiance from the peasants was no mean achievement, and its ability to satisfy their demands for land was crucial in building its power.

The requirements for success are much different in a marketing coop. Instead of satisfying peasant demands, the organization must get coop members to comply with demands made upon them to market their product in a certain way, in the name of a future diffused benefit. As a way of making sure that coop members sell their paddy rice to FENACOOPARR for milling, the federation pays coop managers three sucres for every "quintal" of paddy rice delivered to the federation.[27] This is a sign of the difficulty of getting coops to

---

[26]The tendency for a dichotomy of interests to emerge between marketing organizations and their peasant producers is discussed in Griffin, The Political Economy of Agrarian Change; United Nations, Research Institute for Social Development, Rural Cooperatives and Planned Change in Africa: Case Materials, Vol. IV of Rural Institutions and Planned Change (Geneva: United Nations, 1972); John S. Saul, "Marketing cooperatives in a developing country: the Tanzanian case," in Two Blades of Grass: Rural Cooperatives in Agricultural Modernization, edited by Peter Worsley (Manchester, England: Manchester University Press, 1971); and Guy Hunter, "Agricultural Modernization and Institutions," Food Research Institute Studies 12, no. 3 (1973): 239-40.

[27]"Quintal" means hundredweight, but a quintal of paddy rice is a 200-lb. sack.

market their rice with the federation at the official price. This practice, moreover, may involve the intimidation of coop members by managers and perhaps even attracts managers interested only in the possibilities of financial gain.

Making the demands on coop members that a commercial coop organization must make is in some ways incompatible with the winnin of political allegiance and trust. Thus an organization resisting the move to marketing and more businesslike behavior may be acting out of legitimate survival instincts. True, it may later move towa a business orientation; but its current lack of interest in businesslike behavior may not necessarily be due to sloppiness or stubborn resistance, but to a shrewd calculation of where its path to power lies. This is a particularly important organizational problem to keep in mind when embarking on a coop program, now that marketing activities by coops and their federations are so often proposed as <u>the</u> way for such organizations to set themselves up on their own feet. It is just as important to understand the power that can be gained by a coop program when it helps peasants to satisfy their desires for land.

It is not clear whether FENACOOPARR will succeed in transforming itself into a sound business organization. The federation sees itself as prematurely catapulted into the marketing business as a result of its unanticipated termination of the AID

relationship. "We were only organizers," they say, "and we didn't know the first thing about marketing margins! That was something we planned to hire a business manager for some day." It may turn out, in retrospect, that the unexpected termination with AID forced the organization to make a transition that would have been very difficult to manage gradually and of its own will. Or, it may turn out that the transition should never have been made, and that the rice peasant will find himself as usual in the exploitative hands of the marketing agent--this time in the visage of FENACOOPARR.

The Land Sale Guaranty, or Program for the Promotion of Agricultural Enterprises (PPEA)

AID did not end its involvement in rice coops with the FENACOOPARR project. To the contrary, the termination of the relationship with FENACOOPARR in 1973 almost coincided with the start-up of a US$3.6 million capital project for the same rice coops. The Program for the Promotion of Agricultural Enterprises, which started as the Land Sale Guaranty project, was approved in November 1970. It was to continue the work of the AID mission and CLUSA in organizing rice coops in a much more comprehensive way: after helping rice tenant farmers to purchase their land through coop organization, the project would proceed to the next stage of their development with ample credit and technical assistance.

An innovative feature of the project gave it its original name. The project was to guarantee the sale of land from landlord to tenant, by means of a $600,000 guaranty fund which could be drawn upon by the intermediating financial institution if the peasant defaulted on his payments. For a variety of reasons, the guaranty fund never went into operation, mainly because of the issuance of strong agrarian reform legislation starting in 1971, and lack of interest in the project by the Ecuadorean government.[1] The

[1]The reasons for the failure of this mechanism to work in Ecuador are discussed in great detail in AID/Office of Development Programs, "Inter-Country Evaluation of AID Land Sale Guaranty Programs -

legislation did not necessarily make the guaranty fund superfluous; in some cases, tenants might have been able to work out purchase arrangements more rapidly and more to their interest outside the agrarian reform mechanism. But Ecuadorean officials felt that the existence of a program for private land transfers alongside what was hoped to be a major agrarian reform program was not politically desirable. Thus the guarantee feature, though never officially dropped, never functioned.

The PPEA, like FENACOOPARR, was a direct outgrowth of the AID-CLUSA rice coop program of the late 1960s. Both were conceived at the same time by the same people as pieces of a grand design that would extend and consolidate the gains of the coop program with tenant rice farmers. In the original plan the BNF was to run the credit part of the program; the rice federation, still to be created, would facilitate land and credit acquisition, with an assist from the Ministry of Agriculture. Though the program was not limited to rice coops, it was thought that conditions were propitious for a good start there. The BNF, which had never expressed great enthusiasm for the venture, backed off soon after the loan was signed, which sent AID on a desperate search for another willing

---

Ecuador, Costa Rica," Program Evaluation Studies (July 1975]; and Clarence Zuvekas, Jr., "Agrarian Reform in Ecuador: An Innovative Program Evaluated," Preliminary Draft, Moorhead State College, Minnesota (August 1974).

and able institution. It ended up creating a new one which, after various incarnations, took the form of the present PPEA office. Though both the PPEA and FENACOOPARR were being planned at the same time, the delays in PPEA implementation resulted in its establishment three years later than FENACOOPARR. Between the preparation of the PPEA project proposal and its inception, then, FENACOOPARR had been created by AID and CLUSA and had already broken off relations with them.

The PPEA is one of the most analyzed AID projects in Latin America with so little implementation history.[2] It experienced major changes in design between 1969, when it was drawn up, and 1972, when it started operation. The history of these changes is in itself a fascinating story, and has been the focus of much of the analysis of the loan. In that the program and its evaluation have been so extensively covered in the studies cited, I provide a brief description of the project, based mainly on these studies. My own discussion attempts to deal with issues not yet covered.

The PPEA is an autonomous office within the Ministry of Agriculture in Guayaquil, and was set up solely for the purposes

---

[2]In addition to the studies cited in footnote 1 above, see DAI, "Rural Development Projects," Vol. II, pp. I-2--I-13; AID/Office of Development Resources, "Review of Land Sale Guaranty Loan Project (510-1-032)," by Richard L. Hough (February 1974); and AID/Ecuador/Capital Projects Division, "The Evolution of a Development Finance Mechanism in Ecuador," by Paul Fritz (20 June 1973); Edwin C. Olsen, III, and D. Craig Anderson, "Los Sistemas de riego y drenaje y la organización de cooperativas rurales en la parte baja de la Cuenca del Guayas" (en cooperación con USAID/Ecuador), Quito (March 1975).

of administering the AID loan. It is staffed completely by Ecuadoreans, with AID presence in the form of an adviser who, in contrast to most past coop projects, is an AID direct-hire rather than a contractor employee. There are 62 professionals on the staff, including 10 agronomists, 5 civil engineers, 5 topographers, 5 coop promoters, 9 accountants, and 30 agricultural technicians.

The operating budget for the program was originally to be financed from three percentage points of the 12% interest to be charged for the credit. That amount was subsequently reduced to 1.5% by the Ecuadorean authorities, along with a reduction of the interest rate to 9%; the resulting shortfall in the PPEA office budget was met with a government subsidy. The operating budget of the program was US$200,000 for 1974.[2a] This compares to the $60,000 budget of the 16-member rice coop project team in the late 1960s, during the period of organizing coops and designing the PPEA project.

The PPEA started operations in 1972 with 9 cooperatives, all affiliated with FENACOOPARR. By the end of 1974, the program was working with 43 cooperatives with 1,512 members cultivating 10,057 hectares. This gave an average of 35 members per coop and 7 hectares of cultivated land per member, a slight overestimate because part of the total hectareage is communally operated. By 1976, the program plans to be working with a total of 76 coops. About 85% of all cultivated coop lands are in rice and 13% is in

[2a]Of the 032 loan, $200,000 was allocated for administrative and technical assistance costs for the life of the project.

cotton and upland rotation crops; one coop plants exclusively pineapples

During the first three years of operation, the PPEA administered almost S/90 million of AID-financed credit, channeled mainly through the state development bank (Table X). In 1974 alone, PPEA credit was S/54 million. This was 75% greater than the Coop Bank's agricultural lending in that year and three-fourths of its total loan commitments; it was 11% more than all lending to farmers that year by the credit union system (Table XV). Whereas agricultural lending of the credit union system was roughly S/4,400 per farmer member in 1974, PPEA credit per farmer member was eight times that amount—S/35,500. Sixty percent of the PPEA's credit was for short-term (six-month) crop credit, and 40% for five-year investment credit for agricultural machinery and irrigation works (machinery 16% and irrigation 23%).[3]

The comprehensive credit coverage of the PPEA resulted, among other things, in the construction of small irrigation systems for many of the participating coops in a relatively short period of time. Peasants who had been tenant farmers a few years previous, harvesting one rice crop a year with traditional methods, now owned their own parcels and produced two rice crops a year with the benefit

---

[3]Since inflation rates reached 20% and 30% during this period, the aggregate figure underestimates the current value of the credit of the earlier years.

of irrigation, fertilizers, and pesticides. Yields have doubled in some cases and annual net incomes are reported to have increased several times due to the introduction of doublecropping and the use of modern inputs.[5]

By late 1974, 72% of payments due for 12 of the coops were in arrears (Table XI). The major part of the delinquency was in crop credit, since most investment credit had not yet started to fall due. These delinquent amounts had been renewed by the bank for periods of six to eight months, while the delinquent investment credits were renewed for periods of from one to three years. In late 1974 and 1975, the first amortization payments on the investment credit started to fall due. The BNF in Guayaquil reports that almost all the PPEA cooperatives are in arrears on their investment or crop credit, and that this is of great concern to the bank. A flood in the 1972-1973 crop year and drought in 1973-1974 are cited by the Mission as the main cause of these delinquency problems. They may also be the result of the normal delays and setbacks that occur in such large programs, combined with the traditional conservatism of a large banking institution like the BNF. Or the problems may be indicative of more serious problems, as

---

[5]DAI, "Rural Development Projects," Vol. II, pp. I-9, I-10.

discussed below.

The PPEA was a radical departure from AID's past coop projects. First, coop contractors did not abound the way they did in other AID projects, even though CLUSA had played an important role in the project proposal through its involvement in the rice coop program. AID's interests were represented by one adviser in the program's office, a direct-hire AID employee. This was in contrast to the usual bevy of coop contractor technicians, Peace Corps volunteers, and direct-hire AID personnel surrounding such projects. This change may have been an outcome of the time lapse between project design and execution; by the time the PPEA was under way, CLUSA's involvement in rice coops had ended at FENACOOPARR's request.

PPEA differed from past AID projects in that it was a capital rather than a technical assistance project, and loan- rather than grant-funded. Though the technical assistance component was no less than for previous coop projects, the project's character was determined by the fact that most of the funds were for credit—and more than a third of that for investment credit. In this sense, the PPEA looked in the beginning as if it would have somewhat the relationship to FENACOOPARR that the Coop Bank had to FECOAC. Just as the Coop Bank was to finance credit unions organized by FECOAC, so the PPEA was to finance coops created or serviced by FENACOOPARR.

Both the bank and the PPEA represented AID creation of new institutions to serve AID-organized coops formed into AID-organized federations. The two differed, of course, in that the BNF rather than the PPEA was the repository of the program's credit. Just as in the case of the Coop Bank, however, the PPEA would earn some percentage points from the program's credit to finance its operating costs; and as in the case of FECOAC, FENACOOPARR had helped make the coops creditworthy but was not programmed to earn anything from the credit, even though AID was concerned about its self-financing problems. Unlike the Coop Bank, the PPEA would eventually become intimately involved with the credit and investment plans of its participating coops. The Coop Bank, in contrast, relied more on FECOAC, at least in the beginning, to get borrower credit unions into shape.

In both the above cases, then, AID had created cooperative federations with self-financing problems; and in both cases, when an opportunity came along to empower those institutions through credit, it not only vested that power in other institutions, but it created those institutions from scratch. Even the justification for creating a separate PPEA was in some ways similar to that for creating a separate Coop Bank: Coop Bank credit was not to be limited to credit unions and PPEA credit was not only for rice coops. Most of the credit in the initial years of these programs, however, went to these two categories of coops anyway. The economic justification

of the PPEA loan paper, evolving as it did from the rice coop program, was based completely on projected income increases to farmers of rice. The desire to create in the PPEA an organization with a totally fresh start, described below, resulted in two somewhat parallel, rather than complementary, AID-created institutions for rice coops in the Guayas basin.

Also in marked contrast to AID's past projects, the PPEA did not concern itself with matters of coop federation. There was talk of forming a union of PPEA-affiliated coops in the loan paper and at certain points during implementation, but the concept never gained the centrality that it had in the previous projects. As the program progressed, the PPEA came to play the role of a federation more and more, forced as it was to fill the gaps in organizational, accounting, and management skills of the participating coops. A federation of rice coops, of course, already existed. All the original coops of the PPEA program were affiliated with FENACOOPARR.

Why was it that the AID-created FENACOOPARR was not considered the natural institution to execute the PPEA program? The easiest answer is that when the program was being designed, FENACOOPARR was not yet in existence and even if it had been, AID was looking for a banking institution. By 1973, when the BNF had definitely dropped out, AID and FENACOOPARR were in the throes of

abandoning each other, so FENACOOPARR was not a likely candidate. The PPEA did plan, however, to contract out to the federation some of its promotional work and technical assistance. After the BNF dropped out, moreover, AID began working on another institutional arrangement whereby the banking role would hopefully be played by the Central Bank and the technical assistance would be carried out within that same organization by an office to be created for that purpose. AID, in short, wasn't necessarily avoiding FENACOOPARR. As was often the case, it was looking for a totally fresh organizational start, an institutional arrangement that would, in effect, avoid everybody.

The search for a fresh and apolitical organizational home. As often happens with donor organizations, AID was seeking an implementing entity that would be above bureacratic sluggishness, corruption, political meddling, low salaries, and anything else that went along with the usual public sector bureaucracy. The Ministry of Agriculture, for example, was rejected as a possible candidate because it "suffered notoriously from political interference and rapid turnover of its top leadership."[6] The arrangement finally agreed upon was a semi-autonomous office in the Guayaquil branch of the Central Bank. This was commended as the most antiseptic fresh start one could make.

[6]Zuvekas, "Agrarian Reform in Ecuador," p. 7.

The Central Bank, it was felt, was "one of the most stable institutions in Ecuador." This was contrasted to the instability of the rest of the environment of the then President's term, "during which a total of 36 different Ministers occupied ten positions."[7] The Bank's independent status, it was said, "also freed it from bureaucratic delays in procurement and other administrative matters." The bank was desirable, moreover, because it "was able to pay higher salaries than the central government proper and therefore could attract and keep highly qualified personnel. Continuity of technical personnel was considered important for purposes of dealing with, and attracting loans from, external lending agencies."[8] Indeed, because AID considered the Central Bank at that time to be the most "well managed" and "prestigious financial institution in Ecuador... it [had] been an objective of the USAID Mission for 18 months to attempt to involve the [Bank] far more deeply than it [had] been in the past in the process of economic development within the country."[9]

The Central Bank, in other words, was "technical" and not "political." It had no history of administering development projects and thus had no bureaucratic sludge to bring to the program. Its

---

[7]AID/E/CAP, "Development Finance Mechanism in Ecuador," pp. 4-5.

[8]Zuvekas, "Agrarian Reform in Ecuador," p. 7.

[9]AID/E, "Ecuador - Agricultural Development and Diversification," Capital Assistance Paper, AID-DLC/P-912 (11 June 1970), p. 114.

lack of interest in agriculture in contrast, say, to the Ministry of Agriculture, would insure a healthy amount of distance between the PPEA office and the rest of the bank. Finally, as most such stories go, AID had a good relation going with the manager of the bank, who was very much in favor of the project. "Although some officers of the Central Bank expressed doubt about the propriety of the Bank's involvement in a development credit activity, the General Manager encouraged the exploration of the possibility of revising the A.I.D. loan for implementation through the Central Bank and the banking system."[10]

The project, as might have been expected, could not be completely quarantined from politics. The sympathetic Central Bank manager was replaced, the government changed, other Central Bank officials resented the special place of the project office in their organization, the Ministry of Agriculture resented the power given to the bank over an agricultural program, and its agronomists resented the higher salaries earned by colleagues who had been transferred from the ministry to the project. (Agronomists' salaries were "topped off" by PPEA project funds, a practice that was eventually suspended because of the jealousies it caused. The original justification for the higher PPEA salaries was that these technicians were expected to work full time. It was said that other Ministry of Agriculture employees, in contrast, had the time to supplement their income with additional jobs.)

The description of these developments in an AID audit

[10] AID/E/CAP, "Development Finance Mechanism in Ecuador," p. 2.

report in 1974 looked exactly like the description previously quoted of all the problems the new arrangement was supposed to avoid. The Central Bank Trust Fund (CBTF), the audit report said, "has a history of administrative problems and personnel changes which have been disruptive to its operations. Internal politics within the Central Bank have played an important role in the CBTF's administration. During our review the current Director was reassigned and a new Director was to be designated. Frequent personnel changes have not been conducive to a smooth and efficient operation."[11] AID had done such a good job of avoiding political entanglements for the program, in sum, that it was left out in the cold. After months of negotiations with the concerned parties and a remarkable willingness to try successive new ways on both sides, the program was moved further from the Central Bank and closer to the Ministry of Agriculture, where it presently stands.

The PPEA office also experienced the kind of instability that the project was meant to avoid. Within a three-year period, the office had three directors. The third change in directorship was particularly disruptive in that it involved the replacing of

---

[11] AID/Office of the Auditor General, Area Auditor General - Latin America, "Audit Report No. 1-518-74-48, USAID/E, Agricultural Development," Development Loans 518-L-032 and 033, Project Number 518-11-190-051 (9 January 1974), p. 7.

26 employees--as often happens in the organizational environments from which the project was meant to steer clear. Eight of these replaced employees were agronomists, and most of the rest were agricultural technicians and accountants. In that the program was a completely new kind of undertaking for the public sector, its first years involved considerable learning and the building up of a fund of experience. Such a significant change in personnel represented a serious loss of part of this investment in learning. Ironically, the FENACOOPARR and FECOAC programs, not subject by AID to as rigorous canons of environmental purity, did not experience this degree of management change within comparable time periods. That the PPEA program is still so vigorous is a testimony to its ability to survive despite the bureaucratic personality traits that AID had hoped to avoid.

The PPEA, of course, is only one of various instances where donor organizations attempt to create organizations free of their environment. The "mixed companies" often created to execute World Bank infrastructure projects are another example. The creation of agricultural extension services in Latin America along U.S. lines is another. Marion R. Brown wrote an excellent analysis of the latter instance of the tendency of aid-giving organizations to neglect existing institutional resources in a country and insist

on starting anew each time.[12]

It was interesting that AID ended up wanting its PPEA program so apolitical and technocratic--given the highly political nature of its rice coop activities of the 1960s. As originally conceived, the program was meant to take advantage of a historically unique configuration of circumstances in the Guayas basin, as described in the last section. When proposed in 1969, the project was also appealing to those who feared communist influence as a source of peasant unrest among dissatisfied tenant farmers. True to the style of its Alliance liberalism, the project was thereby able to overcome some of the opposition of both Ecuador and the U.S. to its novel land guaranty features.

In a classic piece of loan paper prose, the project team had conveyed the threat of land invasions, suggested how the project would help create willing landowner-customers for AID-guaranteed sales to peasants, and then disclaimed responsibility for any direct relation, good or bad, between the project and the level of land invasions. While the project might "have a positive effect on the land invasion situation," the loan paper said,

---

[12]"Agricultural 'Extension' in Chile: A Study of Institutional Transplantation," The Journal of Developing Areas 4 (January 1970), pp. 197-210.

> "the project itself does not look on improvement in the invasion problem as an objective nor does it contemplate taking into account for operational purposes the level of land invasion threats (although presumably many potential land sellers will do this without prompting from project officials). The project impacts on the phenomenon and the phenomenon on the project but the medium is not the message."[13]

By the time the PPEA got implemented in 1972, the atmosphere for peasant organizing had changed considerably, partly because of the progress in agrarian reform measures. The quest by the AID mission for such an apolitical project setting, nevertheless, seemed in part a reaction to the unusually political nature of the previous experience, and its association with FENACOOPARR.

Slow credit disbursement rates. The institutional arrangement of the PPEA also led to neglect of one of the most common problems of small farmer credit programs: the incapability or unwillingness of the financial institution to disburse credit in rhythm with the agricultural calendar. This timing problem, in turn, has been found to be one of the major causes of loan delinquency in small farmer credit programs: the more the disbursement date misses the commencement of planting, the greater the likelihood of delinquency or default. In order to plant without credit, the farmer indebts himself with non-institutional lenders, which he is later forced to pay back

[13] AID/E, "Land Sale Guaranty," p. 67.

before attending to his institutional debts.[14] One of the major complaints about the PPEA, by both its professionals and peasant members, was the frequent late timing of BNF credit disbursement. This problem was considered one of the reasons for the frequency of delinquency in credit repayment.[15] The participating banks, in turn, blamed part of the delay on Central Bank slowness in processing production credit applications and in rediscounting.[16]

Some PPEA technicians felt that the only way to deal with the timing problem would have been to place the disbursement decisions within the program office itself. The original project proposal, of course, had seen the BNF as housing the program. A group dedicated to the program within the disbursing institution might have been more successful in getting it to dislodge credit installments at the right moments. But a newly created group like

---

[14]The Cazajeiras agency of the Bank of Brazil in Northeast Brazil studied its delinquent loans in 1967 and found that the incidence of arrears or default was directly associated with the degree of delay in disbursing the credit--i.e., the amount of time that elapsed between the planting period and the first loan disbursement. Judith Tendler, "Peasants, Poverty and Banks in Northeast Brazil," Report to the World Bank on a Mission to Northeast Brazil in June 1974 (September 1974), p. 82, footnote 1.

[15]Programa de Promoción de Empresas Agrícolas (PPEA), "Obligaciones pendientes, abonos realizados y montos de las renovaciones efectuadas por las diversas cooperativas que operan com en el Programa de Promoción de Empresas Agrícolas" [November 1974].

[16]AID/AAG/LA, "Audit Report No. 1-518-74-48," p. 8.

the PPEA would be in no position to pressure an established institution like the BNF on its disbursement pace, let alone the private banks that were expected to participate in the program as well. Like most of the coop projects before it, moreover, the PPEA project proposal was wedded to a private sector approach that precluded serious consideration of this problem. The new PPEA office was not only set up to avoid existing bureaucratic milieus, that is, but the financial flows were to fan out through a plethora of private banks, rather than come from a sole official source, the BNF. Though this made good private-sector-approach sense, it bespoke a neglect of the perennial problem of disbursement pace.

The private banks backed off from the program fairly early, leaving the BNF to go it alone. At least with one institution, there was hope of exerting some pressure to change age-old disbursement rituals; with several, there would have been little chance. Thus even when the PPEA proposal was closest in organizational placement to a powerful financial institution, the Central Bank, it still foresaw disbursement through other institutions, each with its own quirks of pace. The final form of the PPEA, in sum, did not provide any strong institutional power over credit disbursement rates.

Institutional rivalry: PPEA and FENACOOPARR. As might have been predicted, the PPEA and FENACOOPARR drifted apart and some institutional rivalry developed. Whereas

all PPEA coops were FENACOOPARR affiliates in the beginning months of the program, only one-quarter were FENACOOPARR affiliates by 1975. FENACOOPARR did not come to work side by side with the PPEA on technical assistance in the PPEA-FENACOOPARR coops as had been envisioned in the design of the program. Thus the PPEA ended up having to provide the kind of technical assistance in which FENACOOPARR had training and experience. The two institutions, then, were operating more and more in a parallel rather than a complementary fashion. In that FENACOOPARR has more recently concentrated on commercial activities to the neglect of technical assistance activities, both organizations, at the least, were not intensely active in technical assistance to rice coops at the same time.

PPEA technicians and coops often spoke badly of FENACOOPARR, and vice versa. Non-affiliated PPEA coops voiced the criticisms of FENACOOPARR mentioned in the last section--mainly, that the federation was paying the peasant a low price for purposes of its own enrichment.[17] Non-participating FENACOOPARR coops did not like the PPEA because, they said, it was forcing its coops to introduce

---

[17]One PPEA coop said it liked FENACOOPARR because of the good price it paid for rice. That coop, it turned out, was much more isolated from means of transport than most, and rice-buying intermediaries had therefore offered lower prices than usual because of the transport cost. FENACOOPARR, moreover, had also sent a truck to pick up this coop's rice, as it tried to do regularly, so the coop did not have to spend its price gain on transport.

communal plots, and was saddling them with credit-financed investment programs at too rapid a pace. Some of the FENACOOPARR-affiliated PPEA coops, it was said, had come crying to FENACOOPARR for assistance with their heavy credit obligations. Some FENACOOPARR coops said they were going to wait awhile before deciding whether to participate in the PPEA, and see whether the participating coops would be able to get through the period when investment credit started to fall due, starting in 1975. Finally, some FENACOOPARR affiliates said that the PPEA was encouraging the formation of a union of participating coops which would engage in the kind of marketing and supply activities that FENACOOPARR was doing; the PPEA, they implied, was using its power to withhold credit to convince potential joiners. With such an organization, it was said, the PPEA would be competing with FENACOOPARR on its own turf. In sum, then, the PPEA was portrayed by its critics as bossy and profligate, and FENACOOPARR, in turn, as selfish and exploitative.

This institutional rivalry was bound to occur, for AID had set up a new program and organization in FENACOOPARR's domain. It had granted to that new organization the powerful instrument of credit allocation precisely at a time when FENACOOPARR was casting about for new sources of revenue. (The PPEA office, as noted above, was to be financed with 1.5 percentage points of the 9% interest return plus a government subsidy.) Clearly, relations with AID and

FENACOOPARR were so difficult by 1972 that a close coordination of the two organizations' work was probably not possible, nor was it feasible to think of a cutting in of FENACOOPARR on the credit administration charges. FENACOOPARR was also no longer looked upon with favor by AID, as discussed in the last section; ironically, the federation was considered by CLUSA at that time to have had more serious problems than FECOPAM which, two years later, turned out to be in a much sorrier state than FENACOOPARR.[18] Even had the deterioration of relations between PPEA and FENACOOPARR not occurred, it is hard to believe that FENACOOPARR would have welcomed a new AID-created organization like the PPEA--whose purpose was to channel funds to the same peasants FENACOOPARR had organized, and at a level way beyond anything ever channeled through FENACOOPARR.[19a]

The rivalry between FENACOOPARR and the PPEA may not have been important, or even expressed itself, if FENACOOPARR had not started to become financially and politically powerful. Given the growing strength of FENACOOPARR, it is surprising that the AID mission was officially proposing, in 1974, the formation of a union of PPEA-affiliated cooperatives.[19] The proposed union would, among other things, channel AID grant funds to member PPEA coops for

---

[18] CLUSA, "Completion of Assignment Report" (Townsend), p. 6.

[19] AID/E, "Ag Coops PROP Revision No. 2" (22 October 1974), p. 18.

[19a] The mission reports in October 1975 that the rivalry between FENACOOPARR and PPEA has diminished as respective organizational roles have been defined by operations, and that the present management of both programs seem to be on excellent terms.

community development projects such as access roads, schools, housing, etc. The idea is part of the mission's Improved Rural Life project, a pilot program with a budget of $192,000 of AID grant funds for 1974 and 1975, and $311,440 local currency equivalent of Ecuadorean government contribution. The project would continue the Agricultural Cooperatives program out of which the rice coops and FENACOOPARR were funded earlier. The board of directors of the proposed union of cooperatives would be "assisted by PPEA staff, agree to prepare sub-project proposals and will forward project requests to the PPEA Director for approval. The PPEA will provide technical assistance and accounting services, and further, the PPEA Managing Director will act as Project Manager for pilot projects on the coast."[20]

The IRL project, then, proposes the creation and financial empowerment of a union of coops competitive with FENACOOPARR. Just as significant for FENACOOPARR, the IRL project proposes to give the project manager's position to the director of the PPEA, who thus takes power over all of this pilot project's activities on the coast. Clearly, the Ministry of Agriculture in Guayaquil might have been a more neutral choice for such a program. That was how the management of these projects was conceived for the

---

[20] Ibid.

highlands: through a group to be formed, with AID technical assistance, in the Ministry of Agriculture.

In a much more direct fashion than the PPEA project itself, then, AID's IRL project seems to represent a bypassing of FENACOOPARR in the further distribution of AID funds to rice coops. It gives to a rival organization power over resource allocation in FENACOOPARR territory. Given the political power that FENACOOPARR has now gained, the choice of the PPEA to manage a pilot rural development project in the coast and the promotion of a union of PPEA coops through which to channel these funds seems, at the least, provocative of FENACOOPARR. Indeed, this seeming provocation of an organization rapidly gaining political power might end up undermining the power of the PPEA itself. (There are at least four other associations of rice cooperatives on the Ecuadorean coast besides FENACOOPARR.)

AID's reasons for the IRL institutional arrangement on the coast were unrelated to those presented above. When the IRL project was conceived, the Ministry of Agriculture was not considered to have a suitable unit on the coast to manage it. Later, while I was writing the above section, the project agreement was revised so as to "change the responsibility for the Improved Rural Life (IRL) program on the coast from the PPEA Director to the Rural Development General Direction of the Ministry of Agriculture (MAG)."[21] This change still leaves considerable control with the PPEA. Responsibility for

---

[21] AID/E, "Project Agreement (PRO AG) No. 74-9, Revision No. 7," Project No. 518-15-995-096.1 (14 May 1975), p. 1.

implementation of the coastal part of the program is transferred to the Ministry of Agriculture's office in Zone 3, "whose key personnel have been working in the PPEA. They know the basic principles of the projects and they have the capability to implement the plans originally proposed" (p. 3). Moreover, the PPEA is still budgeted to implement $53,305 of the $192,000 in IRL projects (p. 13). This amounts to 28% of total IRL project funds, and 52% of the funds to be spent on the coast ($53,305 out of $102,800). Finally, the director of the IRL project in the Ministry of Agriculture is a former zone director of the PPEA. Though the project revision seems a move in the right direction, then, it still favors the PPEA in bestowing power over assistance monies for the coast.

The PPEA style: investment intensity and quick high payoffs. The design of the PPEA project determined to a considerable extent the difference of its style compared to past AID-financed coop undertakings. That the land sale guaranty feature of the program never functioned, as mentioned above, meant a transfer of the program's focus from the organizing of coops to the production problems of already organized groups. The irrigation works provided an almost fail-safe guarantee of takeoff for farmer members in one year; income would increase significantly just from the change from singlecropping to doublecropping, with no need to rely heavily for such improvement on increases in yield and adoption of modern inputs.

In contrast to the gradualism of AID's grant-funded coop programs, the PPEA envisioned no organizational period leading up

to the infrastructure investment; newly organized coops jumped right into their investment programs. Though not planned that way, the irrigation feature of the program seemed to take over much of its pace and style. The infrastructure-building task provided specific goals with built-in deadlines determined by the crop cycle and the onset of the rains. It required civil engineers and topographers, in contrast to other AID programs, which concentrated on getting people to get together into organizations.

In the name of accomplishing its goals, the PPEA gave credit to the farmer for his short term, as well as long term production needs; it even paid him a "wage" for working on his own land as well as on the communal plot, where there was one.[21a] This too was a departure from other AID credit programs, where the use of credit for "subsistence" was considered a diversion from legitimate productive uses. At the same time that PPEA was financing its peasant-borrower's wages, for example, FECOAC evaluators were lamenting the fact that its DAPC borrowers were using a good part of their production credit for consumption, a practice that was said to undermine the success of the program.[22] For years, however, economists had argued that it was almost impossible to prevent this kind of diversion of earmarked funds

---

[21a] In addition, many jobs of a supervisory and technical nature were created in these new agricultural enterprises--such as field supervisor, tractor driver, pump operator, warehouse manager, etc.

[22] FECOAC, "Estudios del sistema de suministros," p. 14.

from one purpose to another. Instead of earmarking, it was said, small farmer credit programs ought to pay the farmer a wage for his labor. By definition, he was working at a margin too small to pay for his family's consumption himself and at the same time adopt modern practices. It was not logical or just, moreover, to allow labor costs to be credit-financed only if the labor was hired. Credit for hired labor, but not "own" labor, was tantamount to a policy of financing only those farmers large enough to hire workers for pay. Such a practice introduced, through the banking system, a decrease in the cost of hired labor relative to family farm labor.

It was remarkable that the PPEA was able to introduce a form of credit that represented somewhat of a breakthrough in development finance, without drawing almost any attention. Though an AID audit raised its eyebrows at the practice, it was more concerned with its legal ramifications in event of default on the infrastructure payment than with anything else.[23] It was as if the pacing set by the irrigation investment, and the necessity of providing for repayment capacity for that much credit, provided an ironclad justification for such a measure. Interestingly, the original loan paper explicitly excluded wages for family labor from its calculation of credit needs.[24] Irrigation, moreover,

[23] AID/AAG/LA, "Audit Report No. 1-518-74-48," pp. 12-13.

[24] AID/E, "Land Sale Guaranty," Annex VI, Table 3.

received almost no attention in the paper, compared with the importance it would play in implementation. The role that irrigation would play in pacing the program's activity, in short, seemed to go unperceived until it actually happened. Likewise, the idea of providing coop members with credit for their consumption needs may have occurred only with the realization that, for the program to succeed, it would be necessary to assure solid repayment capacity for that much investment credit. The credit-for-wages feature of the PPEA may also have escaped attention, both bad and good, because it was overshadowed by the controversial and innovative land sale guaranty feature of the project.

Problems of technical assistance, cooperation, and credit delinquency. As the irrigation works began to fall into place, the PPEA began to face more problems of an organizational nature—the kinds of problems that were usually dealt with in anticipation in AID's other promotion-oriented coop projects. Some coop members, for example, were anxious to embark on land-leveling projects not included in the first years of their PPEA farm plan. Ideally, land leveling would have preceded or accompanied the construction of irrigation works, so that all land could be flooded equally. Partially because of BNF skepticism about the additional credit that this leveling would require, the program decided to postpone the leveling to a later stage. This meant that additional levies might have to be built so as to be able to flood parcels of different

levels in sequence; parcels with unequal levels within them would have to make do.

Leveling, however, was a simpler task than construction of the irrigation works, something that coop members with the proper equipment might supervise themselves. In their enthusiasm for the program, then, some coops used part of their short term crop credit to buy leveling equipment or rent machinery services for this purpose, without the knowledge of the PPEA. Since part of the credit had been used for machinery instead of planting rice, of course, output was less than projected in the farm plan, and credit repayment suffered. The coops covered themselves partially by making their repayments out of the next crop cycle's credit allocation, but this created a continuing cycle of shortfalls in output and credit repayment.[25] PPEA technicians were initially unaware of the coops' changed course of action and reacted with a more strict supervision

---

[25]The practice of using crop credit for machinery purchases was not unique to PPEA coops and was stimulated, in part, by small farmer credit policies of the BNF in Guayaquil. If the BNF accepts the request of a coop for credit to purchase machinery in addition to crop credit, it often reduces the crop credit by a corresponding amount, with the understanding that the borrower will proceed with the same crop plan. The borrower, however, usually reduces his production to fit the limits of the reduced level of crop credit and thus may have difficulty making repayment. Similarly, the BNF will often finance only 80% of the operating costs of a coop's annual production plan. The borrower, in turn, reduces his production correspondingly, so that he has "100%" financing. I ran into two such cases with non-PPEA rice coops, in which repayment problems had ensued.

of credit use. They met with coop members to discuss the importance of sticking to plans, and intensified the training in auditing and the vigilance of the program's roving bookkeepers.

In a similar sequence of action followed by remedial assistance, the PPEA had promoted the cultivation of communal plots in order to provide a stable source of income for the coop's administrative costs and, if necessary, for amortization of investment credit. Many of the coops accepted the mixed communal-individual form; by 1975, seven coops had a communal plot, in addition to the one case of complete communal farming, San Felipe. Problems soon arose in these mixed cases of those who did not comply with their obligations to work on the communal plot. Resentful factions started to develop between those who did their share and those who did not. PPEA technicians held meetings with cooperative members, exhorting them to abide by the cooperative ethic. They also tried to convince coop managers or councils to institute fines based on equivalent daily wages for those who did not work their share; they advised on tactics for collecting the fines. One such tactic was to threaten a cutoff of the credit for the recalcitrant member's individual plot. The communal-farming issue is complex and important, and is dealt with in its own section below.

Another problem on which the PPEA took remedial action

was the breakdown of agricultural machinery bought with program credit, due to improper usage or maintenance. To deal with this, the PPEA hired a mechanic whose job it would be to rove among the coops, keeping the machinery in shape. Dealing with yet another problem, the PPEA came to believe after some experience that peasant rice farmers were not trained or experienced enough to run as complex a business undertaking as a production coop. They initiated an alternate plan: the coop would hire a newly graduate agricultural technician ("agrónomo"); the latter has five years less training than the agronomist ("ingeniero agrónomo"). The technician, provided by the PPEA, would be given food and shelter by the coop and each member would pay the technician according to his yield; for 30 quintales per hectare, he would earn three sucres per hectare, for 40 quintales, four sucres. This system was meant to motivate the technician to work hard to increase yields and to allay farmer doubts about the worth of "outsiders." The technician would also be paid S/500 monthly salary in advance by the coop, just in case yields did not increase. This new arrangement had already been successful in one coop, where at the end of the crop cycle, yields had increased enough to make both coop members and the technician-manager happy.

The problems arising from the implementation of the PPEA's investment and production plans were thus drawing it more and more

into the promotional questions that it was able to ignore at the beginning. At the same time, it had to provide more and more of the managerial skills, and make compensations for the lack of cooperative spirit, that had been assumed to be forthcoming from the coops themselves. The program seemed a strange combination of inadvertently strong central direction and, at the same time, a holding back of that strength because of the cooperative ideology of the project. The frequent exhortations to peasant farmers in group meetings to "get the cooperative spirit" seemed somewhat out of character with the tremendous power that the program had to approve or disapprove credit. It was in the PPEA's interest, of course, not to abandon any of its member coops; this would discredit its judgment in the eyes of the BNF and others. But the program did seem caught, as discussed further below, between the demands of a make-or-break investment program and an inability to make things work properly because of deference to the principle that farmer actions should be voluntary.

As in the case of FENACOOPARR, it is too early to tell how the PPEA will work out. As mentioned above, much of the BNF's credit to PPEA coops has fallen into arrears. The government had pressured the BNF against its will in 1973 to lend to rice coops for irrigation investment and machinery, even when the coops did not yet have title to the land. The bank conceded only with the

promise from the agrarian reform agency that title would be forthcoming in 30 days; provisional certificates were issued in the interim. By 1975, however, only one of the coops with these provisional certificates had gained secure title; this was also the status of many other rice coops outside the program who had also benefited from the BNF waiver.

When many coops proved delinquent in their credit repayment, in combination with the land titling delays, there was such consternation at the BNF that it refused in late 1974 to give any more credit for irrigation to coops without title. The BNF's concern grew even greater in early 1975, when payments on irrigation credit started to fall due and showed up delinquent. Since the BNF was not particularly liberal in setting repayment periods, these delinquencies and renewals may simply represent a forced and retroactive adjustment to more realistic amortization schedules. The program had originally planned for an eight year repayment period for investment credit, but the bank allowed only five.

Excessive allegiance to cooperativism, or the PPEA as a strong, centralized, state-subsidized program. My impression is that the coop groups on which the PPEA is based are fragile, and that the project may work only if the PPEA plays a more directive and even coercive role. It seems that the program office is becoming more directive as it has to dam one dike after another due to shortfalls in the cooperative spirit and management skills. If the program is successful, it may not be due

to its cooperative base but, rather, in spite of it. That is, the fact that a small number of farmers have received unprecedented amounts of credit, and that this was accompanied by an investment in irrigation that gave them a once-for-all doubling of their annual output, may be more significant than the program's cooperative setting. Any grouping mechanism, coop or not, might have worked. The water user organizations described in a later section, for example, might have worked just as well as the traditional cooperative model--or perhaps even better. The significant factors were irrigation, which supplied a technological change from the outside, and the social geography of the region, which allowed the construction of small scale irrigation systems serving as few as twenty to fifty families.

Much of the program, including the calculation of farmer repayment capacity, was dependent on the increased output to result from the move from singlecropping to doublecropping. Thus irrigation projects were almost the first order of business when the PPEA and a coop got together. Even though this approach was much more comprehensive than most small farmer credit or coop programs, there was something uniquely simple and risk-averting about it. If everything was so dependent on a physical structure that would take a known period of time to put in place, then the possibilities for things to go wrong were limited. The short time

period of this task compared to most agriculture projects, and its occurrence close to the project's start, meant that this crucial aspect of the project was less subject to uncertainties about cost, political climate, organizational abilities, or interference by rival institutions. The early irrigation deadline, moreover, was merciless: if the facility was not ready for the planting season as calculated, then the whole investment and amortization program would fall like a house of cards. (This happened in some cases, as discussed in a later section.)

That the irrigation investment was a large, costly and visible part of the program imbued it with considerable political import. The government commitment to do something about the dual problem of falling rice production and peasant unrest in the Guayas basin, discussed in the last section, was also of benefit to the program. That the BNF had been pressured to lend to coops without land title was an important sign of the level of political commitment to the project. The land title waiver was not the only example of this kind of attention: when an unusually dry summer hit the coast in 1973, reducing yields and causing credit defaults by small rice farmers, the government alloted part of its drought emergency funds to credit repayments for members of the PPEA. That the program had scheduled an investment-intensive and immediate quantum leap for rice-farmer production, in sum, garnered for it a careful watching

over and a high level of initial political commitment.

Contrast the "heavy and quick" style of the PPEA program to that of other AID coop programs in Ecuador. For the coop federations, takeoff into self-financing growth was projected for some distant future. In the intervening years, progress toward this point would be dependent on myriad factors: the willingness of peasants to form coops; their interest, once formed, in availing themselves of the services of the federation; and their economic viability as individuals and as an organization. It would be difficult to predict whether <u>any</u> organization could cajole all of these behaviors out of a target population within a given time period. Even more difficult would be the uncertainty about the state of these variables in the years furthest away from the project's inception. Undermining changes in management, politics, cooperation by other public institutions, price relations and production technologies would have much more time to invade a program with a drawn-out evolution than one, like the PPEA, with a big spurt at the beginning.

The financial self sufficiency of a coop federation is not necessarily the relevant comparison for a program like the PPEA, which aimed at economic self sufficiency for some rice farmers. The point is, however, that the former programs project a gradually improving lot for the small farmer, resulting from

his first steps at organizing himself with others. The PPEA, in contrast, virtually jolts the farmer into an immediate improvement and then falls back on the coop mechanism to consolidate the gains. The success of the irrigation takeoff was in no way dependent on the cooperative spirit. Credit repayment, of course, would be; but that would come after the quantum leap in production had already taken place.

If the PPEA is as successful as some think it will be, it will be due in part to this different time stream of project costs and benefits, and the corresponding lower probabilities of unanticipated problems. In general, the rather unusual sequence of PPEA activity with its coops may prove an efficient one: "works" and business first, organizational skills and inculcation of the cooperative spirit second. This order of things may prove a testimony to the program's ability to learn by doing. There is no other coop program in Ecuador which, like this one, started out with the goal of doing something physical--the introduction of irrigation--and then tended to organizational problems.[26] If it works, and the PPEA coops get through the

---

[26]The colonization projects of CREA in the Upano Valley may be an exception. The coops formed in the project area started out with the purpose of building infrastructure on the new colonization plots. Weather and time constraints made it impossible for me to visit these projects, which are several hours removed from motorized transport.

difficult initial period, then there will be many lessons to be learned from the project.

If the PPEA fails, it may be due to an excessive allegiance by the program to its cooperative ethic. It does not augur well that the program is having to offer more and more assistance due to the lack of cooperative skills and ways of doing things in the social environment. The increasing attention of the PPEA to these matters may mean that, as the program grows older, its member coops are growing more rather than less dependent. If the program needs more centralized direction and control to make it work, then it should be recognized that the full cooperative model may not suit this case--even though the Ecuadorean law favors the cooperative as a business organization. It is as if there is reluctance to admit that the success of the program so far is much less related to its cooperative mold than to the fact that it was a massive injection of subsidized credit and infrastructure by a favored government entity over a short period of time.

It is perhaps difficult for AID to take credit for the kind of achievement the PPEA represents and to admit to problematical signs on the cooperative side. This would be to admit that AID had undertaken a successful and innovative program of strong government subsidy and direction which in the beginning had been acclaimed for its private sector and cooperative features--both of which did not materialize as planned.

The parallel to the FENACOOPARR experience is strong. In that case, it was difficult for AID to face up to the fact that its rice coop program was involved in heady and successful grassroots organizing, and thus attention was focused on auditing problems and personal conflicts. To have taken credit for having had a significant impact on peasant life with this project would have been to suggest that this kind of approach was perhaps more to the point than AID's usual coop programs. Similarly, because of the agency's commitment to the cooperative ideology and its discomfort with highly subsidized and directed state programs, it may be difficult to admit that what accounts for the PPEA's success is the breadth of its subsidization and direction. If this is true, then it also must be recognized that the cooperative mold not only may have played a subordinate role, but may end up strangling the success. The PPEA project, then, may represent an only partial transition from the technical assistance approach to agriculture of the 1960s. It is clearly a capital project free of coop contractors and coop federations but it has not yet emerged from the allegiance to cooperativism that marked the approaches of the past.

Supervision, auditing, and "institutionalized suspicion." The PPEA might be more flexible about following the cooperative form in cases where it seems too unwieldy. The program might do its own policing, for example, of credit

repayments or work on the communal plot. In a sense, the placing of agricultural technicians chosen by the program as coop managers is a move toward such control; the PPEA-determined assignments of the new technician-managers include checking up on who is planting what and where. The audit mentality, so basic to the cooperative approach, implies the existence of "institutionalized suspicion" of others which, in our society, is an accepted mode of making sure things turn out right.[27] It is a prerequisite for running an organization and keeping books; people must prove, with receipts, that they have given and received things. In peasant societies, however, this institutionalized suspicion can undermine the very solidarity and camaraderie of groups. Thus the group might be better off at early stages of getting together if an outsider takes over the function of suspicion.

The PPEA groups may be less cohesive than they were when land acquisition desires brought them together precisely because of the new kinds of group behavior required by the program. Resentments have arisen over who has worked how much on the communal plot and who is not repaying his credit; receipts have not been kept for goods and services provided to members. Recalcitrant members have

---

[27]The concept, and help in thinking out its application here, came from Ronald F. Dore, "Modern cooperatives in traditional communities," in Two Blades of Grass: Rural Cooperatives in Agricultural Modernization, edited by Peter Worsley (Manchester, England: Manchester University Press, 1971), pp. 52-57.

been admonished as a group at coop meetings by the leadership, at the urging of PPEA technicians, or by the technicians themselves. An audit by the PPEA of one of its coops, conducted two years after the coop began participation in the program, provided a graphic description of the problems of implanting cooperative organization:

> "Bookkeeping: the accounts of the cooperative could not be verified for the following reasons: (a) an incomplete set of receipts; (b) the lack of accounting books; (c) the disorganization of the receipts for income and expenditures; (d) the absence of numbering and legalization of the receipts with the signatures of the presidents of the Administrative and Vigilance Councils; (e) bookkeeping has been kept since the beginning in various notebooks and loose sheets, which resulted in the expenditure of considerable time in trying to establish the financial state of the cooperative.
>
> "Administration: the presidents of the Administrative and Vigilance Councils do not have the understanding necessary for carrying out their functions, in that receipts...do not bear their signatures.... Management: the manager is lacking in the most basic principles of bookkeeping, in general knowledge about a business office, and in his supervision of the small warehouse. With respect to the warehouse, it was found that previously no measures were taken to prevent members from taking items on their own."[28]

It was suggested above that the problem of auditing and policing might be dealt with by moving supervisory functions away from the coop to a more distant authority. Another approach to the problem would be to minimize, in the design of such programs, coop tasks that are intensive in auditing and policing. Since contributing one's share to the communal plot was an important

---

[28] PPEA files, translation mine.

reason for resentment and policing, for example, the program might be a little more wary of arrangements which, like this one, do not evoke avid enthusiasm. Granted, the communal plot is a handy source of funds for administrative costs and credit repayment, for it is not dependent on the willingness of an individual farmer to hand over his output. But interest in communal farming is not unanimous and many participate in the coop mainly to get access to its cheap and abundant credit; with these motivations, which are not unreasonable, the costs of enforcement may make it impossible or consume the revenues from the communal plot.

As another way of minimizing supervisory tasks, the PPEA might establish a more direct relationship with the individual farmer through the credit nexus. Group leaders would then not be in the position of having to be "institutionally suspicious" of their friends, in the course of making sure they were planting what they got credit for and repaying that credit after the harvest.

Conclusion. In a sense, the PPEA is now paying the price for its own approach. Instead of making peasants show some signs of cooperation as a prerequisite for getting into the credit system, like most AID programs, this program gave the peasant what he wanted and probably more than he ever imagined before demanding complex cooperation. There was no reason for the peasants to believe,

therefore, that such behavior was a prerequisite for anything else. Indeed, the program's loans must have appeared to them as manna from heaven, an unusual moment of public benevolence. True, they had formed coops in the first place to get possession of the land they worked. But this, like the irrigation works, could have been perceived as a once-for-all benefit and not necessarily as a permanent way of organizing their productive lives.

The quest for a lump-sum benefit such as land might be a good first step in the evolution of a group that would eventually take on more complex tasks. The peasant syndicates in Bolivia, for example, were originally formed as a means of securing title to land. After gaining these ends, they became quite effective in carrying out other functions.[29] Like the Bolivian syndicates, the PPEA rice coops may well be able to rise to the task of working for more than the acquisition of land. But the chasm between the two kinds of cooperative behavior required by land acquisition and PPEA participation is too great to bridge in such a short time and with so little preparational work. Though the program took an innovative gamble at doing so much with its coops during their first year of participation, the expectation of generating as well a culturally alien and complex organizational form seems unrealistic. The agronomist

---

[29]Heath, "New Patrons for Old," p. 83.

situation, in which irrigation could be put in place quickly, had provided the possibility for immediate results. The organizational milieu, however, could never keep up with such a pace. Yet the program proceeded as if the organizational results would be as rapidly forthcoming as the irrigation-fed summer crop. (Further discussion of the PPEA appears in the sections on irrigation and communal farming.)

Marketing Cooperatives, The International Development Foundation (IDF) and the Southern Regional Development Authority (CREA)

AID's $389,000 grant-funded project with CREA, the southern regional development authority, was considerably out of the mainstream of the mission's coop programs in terms of geography and design. The project headquarters was in Cuenca, and many of its coops were of difficult access. The project lasted 18 months, had nothing to do with the organization of coops into federations, limited itself to base-level coops, and did not lead to further contracts for the contractor in the country. The project was also the only case where the contractor, the International Development Foundation (IDF), was not a U.S. coop organization. Considerable conflict developed between the mission and the contractor, moreover, and relations eventually deteriorated into "a tug-of-war over the project."[1] In 1975, however, CREA counterparts reported to me that they had been quite satisfied with the contractor's work. Thus in contrast to the cases of FENACOOPARR, FECOPAM and the Coop Bank, it was AID and not the recipient institution who disliked the contractor.

CREA also was different in that it was the only project where AID created a new program within an established organization.

---

[1] AID/E, "Project Appraisal Report (PAR) for period 7/16/71 to 2/18/73, Institutional Development-Agricultural Marketing Organizations," Project No. 518-15-995-096.4 (11 April 1973), p. 5.

CREA had been around since 1959,[2] receiving a fairly constant though small share of the central government budget. AID's budget support for the CREA coop program, a fraction of the total $389,000 grant, represented an insignificant proportion of CREA's total budget--which was US$4.6 million in 1974. This contrasts with AID's more common practice of creating whole organizations from scratch or resuscitating failing ones.

In 1970, AID signed a project agreement with CREA to provide technical assistance through the International Development Foundation in the setting up of marketing coops in the three provinces under CREA's jurisdiction--Azuay and Cañar in the highlands, and Morona Santiago, an area of recent settlement on the subtropical eastern slopes of the Andes. The IDF was an organization based in New York and Lima that had worked on community development projects in various countries outside Ecuador. IDF's technical assistance in this project was to encompass the training of eight CREA extensionists in cooperative development; it was expected that they would later form a cooperative department within CREA and continue the promotional work started under the project. Project goals were the organization of 21 coops and pre-coops with 1,800 members, and the establishment of at least three regional marketing associations. At the end of the 18-month period, at least five of the coops and one of the regional marketing

---

[2]A good sketch of the history surrounding CREA's establishment can be found in Rice, Extension in the Andes, Appendix D-1.

associations were expected to be financially self sufficient. The project would be evaluated at that time by AID to determine if another 18-month grant extension would be justified.

There was considerable disagreement between AID and IDF as to what had actually been accomplished by July 1972, the end of the 18-month period. The IDF claimed 12 new cooperatives and 30 pre-coops with 1,119 members; but AID, after a comprehensive field investigation, found "only" nine coops and 360 members. None, AID said, were financially self sufficient, capable of marketing produce or arranging for credit.[3] Another check in March 1973 showed "only" ten organizations, comprised of 344 families, that approached independence and self sufficiency (p. 13). The contractor, moreover, had not done any work toward forming the three regional coop groupings designated in the contract agreement. Given this evaluation of the contractor's performance, the option to extend the agreement another 18 months was not taken by the mission.

IDF's and CREA's performance in organizing coops does not seem very different from that of other AID coop contractors on previous projects with farmers of an equivalent level. In the late 1960s, for example, CLUSA had organized nine rice production-marketing coops of 285 members in the same time period.[4] This was not considere

[3]AID/E, "PAR, Agricultural Marketing" (11 April 1973), pp. 6-7.

[4]AID/E, "Land Sale Guaranty," Annex V, p. 4.

a failure, however, but as providing "ample grounds for optimism regarding the future of the program" (p. 5). The directed agricultural credit program of FECOAC, as another example, was working with seven credit unions after the end of its first full year of operation and an additional 15 by the end of the second year. This gave an 18-month rate of 14 coops, which was also not considered disappointing; indeed, it was characterized as "substantial in the Davis evaluation (p. 7). In that the DAPC involved credit unions already in existence and farmers of a somewhat higher level than those of CREA, the IDF's performance seemed no less impressive than that of CUNA and FECOAC.

Given that the base-level organizations were so few and fragile, it would seem that the regional organization of coops, as projected in the AID agreement, would not have been desirable. Indeed, the one grouping of coops recommended by AID that actually got a start—the cattle marketing coops of Macas, Sucúa and Méndez —fell apart very quickly. The subsequent development paths of these three coops have shown that association was a mistake at that stage, as discussed in a later section. That the project agreement included the promotion of regional associations, then, seemed more an intrusion of the standard design of AID's other coop programs than a judgment about this particular project environment. CREA technicians reported in 1975 that they never thought of urging

association upon these coops, because they were too young and fragile for that step. Indeed, CREA had in some cases not even been able to convince groups adjacent to an existing coop to join it, rather than start another one. The contractor's failure to perform in the area of regional associations, then, may have been more a matter of wise neglect than anything else.

By 1975, three years after termination of AID support, CREA was working with 70 cooperatives and pre-coops with 3,652 members (Table XII). Of these, 21 were agricultural coops and two were agricultural pre-coops, representing a total of 983 members. This total also contained seven agricultural colonization cooperatives with 420 members in Morona Santiago, but they fell within the jurisdiction of CREA's colonization department. CREA's cooperative department, created a month before termination of AID assistance in July 1972, continued under the direction in 1975 of a highly-trained agronomist who was one of the eight trained in cooperativism by IDF. Three of the seven original trainees also continued in the department; of the remaining four, one worked in CREA's colonization department and two had left the organization. CREA, meanwhile, had trained four more extensionists to maintain the 1972 level of eight. Since AID termination, the department had acquired two accountants, one economist, one administrative officer, two secretaries, two drivers and a janitor; for 1975, it

was scheduled to receive another bookkeeper and an assistant to the department head. In 1974, the cooperative department operated with a budget of US$50,860 for current expenditures and $57,000 for capital; this represented about 2% of CREA's annual budget. For 1975, the department's operating budget was $60,000 and the capital, $120,000.

The cooperative department, then, was 100% "self sufficient" within its parent organization three years after termination of AID support. Given the self sufficiency problems of other AID-supported coop programs, this was quite an achievement in institutional development, somewhat neglected in AID chronicles. It was particularly remarkable in view of the fact that in the first months of the project, CREA had "not been sufficiently committed to the project and [had] not provided adequate support for it."[5] It was also remarkable because of the shortness of the period of assistance to the institution, compared to the much more lengthy periods of assistance to the other institutions described here.

Though AID reports on the IDF/CREA project expressed exasperation with the contractor and his work, they did recognize that a cooperative department had "been permanently established

[5] AID/E, "Project Appraisal Report (PAR) for period 1/18/70 to 5/31/71, Institutional Development - Agricultural Marketing," Project No. 518-15-995-096.4 (1 June 1971), p. 2.

within CREA, with an adequate budget."[6] The mission also conceded that the time period of the project gave the IDF little chance to develop the "large number of 'viable' cooperatives" projected (p. 15). On the one hand, the mission criticized the contractor for selecting a "safe" product like wheat, with a fixed government price and "easily identifiable markets," instead of focusing on crops of major importance or which offered "the greatest potential for economic return" (p. 14). On the other hand, the mission said that the choice of "simple crop systems and a few cooperatives" was probably the most logical and realistic, given the time constraint (p. 15).

The mission also noted with favor that, of the wheat marketed by the project's coops, one half was purchased from nonmembers. The latter preferred to sell through the coops because of their "honest" scales, which had been acquired as part of the project. Private intermediaries, in contrast, had sight-weighed the products they bought (p. 15). That the coops purchased one half their wheat from nonmembers was more impressive for what it said about their ability to pay competitive prices than about the use of scales. Many marketing coops have failed because of their inability to pay as high a purchase price as the intermediary

---

[6] AID/E, "PAR, Agricultural Marketing" (11 April 1973), p. 12.

without running a loss. Finally, all the mission evaluations of the project raised the quality and commitment of the eight extensionists selected and trained by IDF.

The mission's final report on the IDF project in 1973 noted without judgment that the cooperative department's work was not limited strictly to agricultural marketing coops.[7] By 1975, however, this diversification was marked. Only 33% of the coops with which the department was working were agricultural, while the rest were for housing, artisans, teachers, and community development, in addition to the seven colonization coops mentioned above (Table XII). Membership in the agricultural coops accounted for 27% of the total, and they received 36% of the department's capitalization credit, described below (Table XIII). (Credit to coops from other sources was also obtained with CREA's intermediation; such credit was almost exclusively for the agricultural coops and was four times the level of CREA's total capitalization credit.) Though the CREA/IDF project had focused exclusively on agricultural coops, then, more than half the department's coops were non-agricultural by 1975. This may reflect a greater ease that urban institutions find in working with non-agricultural coops. There are greater cultural affinities

---

[7] Ibid., p. 12.

between the promoting organization and the urban coops, and these groups can fit themselves into the cooperative mold with greater facility.

Conflict with the contractor. Why were there such conflicts between the AID mission and the IDF and why did the mission not extend the project or pay a retrospective visit to CREA to find out how this different approach had gone? Much of the tug-of-war over the project seems to have resulted from a change in mission personnel. As mentioned with respect to FENACOOPARR, the early 1970s saw a changeover from the young, community-development-oriented group to more business- and technology-oriented agriculturalists. The IDF project, in a sense, was a last gasp for the former group in alliance with the then current vogue in sensitivity training and organizational development. T-groups were prescribed for problems of interpersonal relationships within the AID mission, with many taking off for weekend sessions to a small mineral springs resort in the mountains. Not only was the sensitivity training prescribed for relations within the mission, but it was seen by some as the way to get Indians to perceive their abject state and do something about it. The Peace Corps, moreover, had been engaged in this kind of sensitivity training in the CREA region prior to AID's involvement.

Much of this approach pervaded the mission's CREA project proposal, to the annoyance of Washington. "By means

of group sensitivity training methods," the proposal said, the project would "provide an educational experience to campesino leaders that will help coalesce them into effective working units capable of influencing needed attitude changes in their respective communities."[8] After some sharpening of focus and inclusion of "harder" analysis at Washington's request, the project was approved. The contractor, no doubt, was selected on the grounds of its comfort with this approach; the technicians hired by the contractor had backgrounds in the social sciences "rather than agriculture."[9] Ecuador's government planning agency politely objected to this anomaly in a letter to AID, saying that "it is necessary to keep in mind the fact that agricultural marketing is an economic phenomenon...which could better use professionals with a clear specialization and practical experience in the field of agricultural marketing."[10] Unfortunately for the planning agency, three IDF-contracted technicians had already been working with CREA for two months when its letter arrived at the mission; after further negotiation, the nomination of the three was accepted.

---

[8] AID/Quito, "Airgram, Institutional Development - Agricultural Marketing Organizations PROP," TOAID A-364 (29 September 1969), p. 3.

[9] AID/E, "PAR, Agricultural Marketing" (11 April 1973), p. 2.

[10] Ibid., p. 2.

Relations between the contractor and the mission seemed to go fairly smoothly in the beginning, despite the previous expressions of disapproval from Washington and the planning agency. Then came the turnover in mission personnel in 1971 and 1972, and "the shift from an attitudinal and behavioral orientation," as put by a representative of the new outlook, "to an emphasis on agricultural production."[11] The contract with CREA was amended and emphasized the creation of regional unions and the merging of two cattle coops, in the AID cooperative tradition, as well as the organization of small farmers into "sound and viable marketing organizations."[12] The language of "behavioral and attitudinal changes" was purged from project prose and "disappeared from subsequent project documentation."[13]

From then on, mission reports on the project and the contractor took on the same personal and accusing features as the climate surrounding AID, CLUSA and FENACOOPARR. In general, the contractor was characterized as obstreperous, refusing to comply with commitments to submit data, and as exaggerating its figures on production increases, coops organized, and financial self sufficiency. In an attempt to confirm its suspicions of IDF

---

[11] Ibid., p. 5.

[12] Ibid.

[13] Ibid.

exaggerations, and after a "bleak" audit report in December 1971, the mission sent its own evaluation personnel to the project area on three separate occasions. Considerable time was spent visiting and counting the individual coops claimed by IDF, and assessing their viability. The field comprehensiveness of this evaluation effort seemed much greater, in relation to the size of the project, than any such effort by the mission in evaluating its other coop programs. The latter had been in existence much longer and represented a far greater investment of resources. The mission had gone into the field in the IDF case, of course, because of its basic doubts about the contractor's reliability.

Though I did not conduct as penetrating a visit of CREA's coops, I did find that the proportion of pathetic-looking ones was not very different from those of the other coop programs I visited--namely, FECOAC, FENACOOPARR, PPEA and FECOPAM. If the mission were to conduct as thorough a field investigation of the coops claimed by contractors and sponsoring organizations in its other coop programs, it might find about the same degree of exaggeration. As noted above, the number of coops that were actually viable after termination of IDF assistance fell comfortably within the range of performance of the other coop contractors.

<u>Assisting the service organization as opposed to the farmer organization</u>. Though sensitivity training may have seemed a ludicrous approach to the problem of poverty stricken Indians, it was no

less naive a solution than cooperativism. And it was just as well intentioned. The "organizational development" approach, however, may have made some sense for an urban and relatively sophisticated organization like CREA, in contradistinction to the target population. It may be that the attitudinal rather than agricultural emphasis of the IDF project accounted for the success of CREA's cooperative department in surviving initial opposition from the government, a disinterested parent organization and, usually the most death-dealing of institutional blows, termination of 100% AID budget support earlier than hoped for.

This institutional achievement may be independent of the degree of success of CREA or the IDF in organizing base-level coops. In that agricultural service institutions represent totally different cultural worlds than those of their beneficiaries, it does not necessarily make sense for AID to approach the base-level coop and the coop-sponsoring organization with the same project, the same technicians and the same skills. That the IDF technicians did not know anything about agriculture, that is, may not have been relevant to what they were trying to do with CREA's extensionists: to forge a group that could act with cohesion and commitment vis-a-vis their parent organization and their beneficiaries.

Perhaps AID would do better to concentrate its small

farmer programs on empowering existing organizations, or groups within them, rather than also going out into the field itself. Even if knowledge of agriculture and sensitivity to organizational dynamics were qualities that often occurred together in the same professional, work in the one area might lead to exclusion of the other. For example, a strong agriculturalist adviser in the midst of a host-country coop-sponsoring organization may keep that organization from coming into its own as a group. Truly successful organizing in the field, moreover, may go far beyond AID's desires for involvement in structural change, as pointed out with respect to the early rice coop experience. I am not saying that AID should repeat the IDF-type relation with CREA in other coop programs. Rather, this anomalous project history suggests that certain institutional goals of difficult accomplishment, like self sufficiency, may require approaches that are completely unrelated to those directed at the problem itself—in this case, agricultural poverty.

I did not learn enough about the IDF project and its history to make a judgment on the points suggested above, but such an unusual case of institutional survival after AID withdrawal merits further explanation. The project seems almost forgotten in the mission's reflections on its cooperative experience, as if the dissatisfaction with the contractor had

prevented the mission from perceiving the fruit of the seeds it had sown. The distance of CREA's headquarters and its project areas from the administrative centers of the country in Quito and Guayaquil probably also helped keep the mission unaware of its own small success. The mission itself had noted that the project "did not receive as close monitoring as most mission projects because of its location in Cuenca."[14]

Finally, the disappearance of the contractor from the scene 18 months after arrival, and its lack of previous history with AID's Ecuador mission, may also have accounted for the oblivion into which CREA's cooperative department fell. Coop contractors, like movie agents, seem to play a crucial role in keeping their project's name alive. When the contractor leaves the scene, a program often slips easily out of the mission's thoughts, for lack of the contractor's intermediation between the program and the AID mission. The evolution of the organizati after the contractor leaves the scene is of utmost interest, however, for this is the time to learn about how recipient institutions stand on their own.

<u>From marketing coops to input supply stores</u>. Another aspect of the CREA experience was a gradual change of strategy after the original goals were found to be

---

[14] AID/E, "PAR, Agricultural Marketing" (11 April 1973), p. 6.

unrealistic, an adjustment that took place after the contractor's departure. Briefly, CREA's assistance in organizing farmers to market their produce through coops had partially shifted by 1975 to assistance in the setting up of coop stores for the selling of farm inputs, veterinary medicines, and household staples. CREA provided capitalization credit for these purposes on highly favorable terms--five years repayment and no interest. At Ecuador's recent inflation rates of 20% to 30% a year, this amounts to a considerable subsidy. In 1974, CREA lent S/360,000 of its capital budget for these purposes to ten agricultural cooperatives (Table XIII).

Many of these coop supply operations sold to nonmembers as well as to members; in the case of household staples, more than half the clientele was typically nonmember. These supply outlets usually were not able to sell at prices lower than already existing private distributors in the community. Indeed, because the supply operation was often seen as a way of financing the coop rather than serving members with lower prices, selling cheaply was not necessarily of primary interest. In communities where other private distributors existed, the substantial proportion of nonmember clientele showed that the coop outlets were able to compete with the private sector in price. In some particularly isolated communities, the coop stores had made the important

contribution of making supplies locally available for the first time. In all cases, nonmember purchases seemed important in providing the economies of scale necessary to make this kind of sales operation pay off.

CREA as market intermediary for its coops. The marketing emphasis of the original IDF project did not cease to exist. The focus of the activity shifted, interestingly, from the coops to CREA. CREA came to act as a kind of broker in arranging purchase and credit contracts between its coops and food processing industries. Through CREA's intermediation, several of the highland coops entered into arrangements with Molinas del Ecuador, a large wheat mill in Guayaquil, whereby the mill provided interest-free crop credit to the coops who, in turn, sold their wheat to the mill. By 1974, 15.8 thousand quintals of wheat were sold to Molinas under this plan, at a value of S/2,777,106.[15]

Also through CREA's intermediation, two cooperatives sold 449,892 lbs. of tomatoes for S/170,000 to Alimentos Pick, a canning firm in Guayaquil. The firm had contracted for 1,000,000 lbs., but a strong pest attack destroyed more than half the crop. The tomato arrangement did not include credit but, very important in the case of such a perishable product, was a guarantee of purchase. This prospect of guaranteed sale had led the farmers

---

[15]Figures in next four paragraphs based on data from CREA, Cooperative Department.

involved to switch production from corn, which gave a much lower net return, to tomatoes. Though the farmers applied fertilizer to their tomato crops, they continued to grow their corn without it, indicating the relative lack of return to the use of modern inputs in corn production. The tomato marketing contracts were perhaps the most economically significant of CREA's. They were the only arrangements that brought about a substantial change in crop mix. There had been no previous secure market for tomatoes, yet financial returns were much greater than for corn.

These induced changes in crop mix are remarkably similar to those found in research done on the impact of small farmer credit in Guatemala.[16] There, credit was found to be associated with an impressive shift of focus from cereals to higher-value vegetables like tomatoes, particularly on the smallest farms (0-1 ha.). Indeed, changes in crop mix were found to be the only significant source of increased output, after expanded area, resulting from credit. Though these types of crops efficiently utilize more labor per hectare, the Guatemala study reported, they are the most sensitive to marketing problems. CREA, then, had performed a considerable service in arranging for guaranteed purchase of these

---

[16] AID/Latin America Bureau/Sector Analysis Division, "Guatemala Farm Policy Analysis" (Draft), by Samuel R. Daines, Analytical Working Document No. 10 (December 1974), pp. 37-38.

higher-value crops. Just the guarantee of a secure market, even without credit, had been able to induce this significant change in crop mix.

CREA had also brought its coops together with Alimentos Pick for the marketing of onions. In 1974, a contract was made for 1,000 quintals of onions, for a total value of S/170,000. Finally, the cattle-marketing coop of Sucúa, one of CREA's success stories, had sold 645 head of cattle in 1974 to a processing firm in Cuenca, for S/3.5 million. CREA had been instrumental in getting the coop and the firm together. CREA had also worked out an arrangement with Alimentos Pick to experiment in the processing of naranjilla for export, which was grown in the subtropical areas around Limón and Indanza; at the time of my visit, CREA was arranging for these two coops to sell 150 boxes of naranjilla to the firm for the experiment.

Although the amounts involved in these contracts were not significant, they represented the only case where a coop-sponsoring organization had played this particular kind of brokerage role. This assumption by CREA of some of the marketing burden, moreover, may have been a more realistic approach to coop marketing in terms of market power. CREA, after all, was a more equal match for the food processing firms than a fledgling coop of poor peasant farmers. Contracts between food processing firms and small

farmers are often exploitative because of the monopsony power of the firm over the farmer. Placing CREA at the forefront of these arrangements may have resulted in less monopsony power by the processing firm over the coop; this assumes, of course, that CREA intermediated these arrangements in the interests of the coop and not the company. The fact that CREA's promotion of tomato growing coops was initially met with substantial opposition from another food processing firm suggests that CREA was acting, at least in this case, on the side of the coops. If this was generally true of CREA's intermediation, then it may have been quite important in improving market conditions for the coops.

One of the goals of the CREA project as originally proposed was to show these new coops that they could exert power as a group in favor of their economic, social and political interests.[17] Grouping them, however, turned out not to give them power--because of the lack of production volume and organizational and business skills. What happened, then, was that CREA exerted for the coops the group power it possessed as an established public sector organization. Clearly, this was a paternalistic and dependent solution, compared to the project goal of "independent self sufficient marketing organizations."

---

[17] AID/Q, "Airgram, Agricultural Marketing," TOAID A-364 (29 September 1969), p. 3.

But given that these groups had almost no power at all, the solution was better adapted to the reality of the environment than the project's goa

<u>AID, and the mystique of the evil private merchant</u>. CREA reported that it partially retreated from the marketing goal because the marketed production of any single coop was simply not enough to make a marketing operation attractive to members or financially viable. If this was true, how was it that marketing came to be the focus of the original AID project? "In rural communities of Ecuador," the mission's project proposal had said, "the peasant farmer, bound by centuries of tradition, has been exploited by the merchant class in a most unmerciful manner. Cheated in price and weight, he is often forced to sell a product for less than the cost of producing it."[18] Marketing organizations were necessary, it was said, in order to "enable small farmers to obtain better prices for their products." In a later revision of the proposal, in response to a Washington request for a "harder" presentation, the mission argued that marketing, in contrast to other cooperative activities, was one of the best ways to guarantee a source of income to the coop:

---

[18] AID/Q, "Airgram, Agricultural Marketing," TOAID A-364 (29 September 1969), p. 3.

> "The purpose of this [marketing] emphasis is to start from the earliest stage of the organizational effort to create a source of income for the cooperative organizations which can finance their other less remunerative services to the small farmer. More typically a co-op program begins by providing services and promotion subsidized by AID or another sponsoring organization and only begins to worry about income to finance its activities after it has been in existence for several years. The usual source of income which is looked to at that point is dues collection from members which time and again has proven a troublesome and inadequate solution."[19]

Coop marketing, then, would not only free small farmers from exploitation, but it would avoid repetition of past mistakes by adopting a different and businesslike approach to the perpetual problem of financial self sufficiency.

The marketing emphasis had become quite common in coop programs of the late 1960s and early 1970s. Such projects assumed the existing marketing system as a known evil, proposing to substitute it with a coop marketing system, a known good. The growing reverence for cooperative marketing in recent agricultural coop programs is, in part, a result of increasing disappointment over attempts to introduce modern technology to small farmers. Either the technological package or its economics did not work under local conditions. This fade in the promise of modern technology to solve peasant problems led in part to the replacement

---

[19] AID/Q, "Airgram, Agricultural Marketing Organizations PROP, Project No. 518-15-995-096.4," TOAID A-100 (3 May 1971), p. 2.

of production by marketing as the new shining star.

When the emphasis was on production, failures could be blamed on agricultural service institutions, many of which were financed with development assistance: the findings of agricultural research institutions that did not work under real-world agronomic conditions, the extension agents who were out of touch with the peasant as well as the latest improvements, and the whole lot of them for not assuring that their technological packages were economically viable. Marketing, in contrast, provided an all-purpose culprit outside the agricultural service system: the private intermediary. The intermediary took the heat off everybody else--the extension agent, the research institutions and even the political system. The intermediary as culprit, for example, is a central character in current Ecuadorean policy statements on agriculture. In a report to the nation in early 1975, the Ecuadorean president told of "a profound and comprehensive investigation" conducted by the government to find out the cause of decreased agricultural production.

"We are investigating so as to make known to the people of Ecuador the highly developed systems of concealment, monopolistic maneuver, and the perfection of activities by which groups, large and small, permanent and temporary, carry out their criminal designs. These groups also involve powerful capitalists, who, together with meddling busybodies and greedy intermediaries, are united in the most detestable quest for profit. The result of these concealments and monopoly is the increase in food prices.

All this is achieved with the most unusual tactics--among other things, expensive and widespread publicity relying on the services of vain media commentators. The latter, by their actions, make a mockery of government policy and in so doing, bring on the most unjust speculation [in food stuffs]. This speculation is the most gratuitous of assaults on a people of small and medium incomes, who cannot defend themselves and will not even denounce their aggressors. The Government, from now on, intends to make the guilty ones known and to impose on them the severest of sanctions."[20]

The characterization of the marketing intermediary as evil implied that an intermediary with good will would by definition do much better at lowering marketing margins. If, in contrast, low farmgate prices and high retail prices reflected real marketing costs and not bad will, then the "evil" intermediary was not earning much more of a return on his investment than anyone else. Empirical studies have shown that the latter may often be true,[21] as also noted in AID/Washington's reply to the CREA proposal.[22] If it is true that structural problems are

[20] El Mercurio (Cuenca) (21 February 1975), p. 8.

[21] John W. Mellor, The Economics of Agricultural Development (Ithaca, N. Y.: Cornell University Press, 1966), pp. 333-335.

[22] AID/Washington, "Airgram, Agricultural Marketing Organizations PROP," AIDTO A-125 (19 September 1970), p. 1.

causing the high marketing costs, then all the good will and cooperative spirit in the world won't bring better farmgate prices--especially when business acumen is lacking. Indeed, AID's very cooperative experience in Ecuador shows that the good-will theory of marketing is not always valid. FENACOOPARR, for example, finds that it cannot buy paddy rice and sell milled rice, both at the official price, and still make a decent profit. Of course, private rice intermediaries can buy and sell at non-official prices but, in compensation, they do not have the government privileges and market power granted to FENACOOPARR by the government. The CREA/IDF cattle coop of Sucúa, as another example, was able to break the power of the intermediary only by forcing its members, with the help of strong peer pressure, to sell to it at a lower price than the intermediary; the lower price was the most it could afford to pay. The neighboring Macas cattle coop was not able to achieve this remarkable degree of cohesion and commitment and ended up broken by the higher prices paid by the intermediary.

Coop supply stores without price reductions. The setting up of coop supply stores is also based in part on the good-will theory of price reduction. One of the motives for setting up the store is to break the hold of the scalping local storeowner. Yet many of the CREA coops' stores--as well as those of credit unions and FENACOOPARR--ended up selling at the same prices as the private storeowners in the

community. As noted above, the store had come to represent more a source of financing for the coop than a method of lowering food and input prices for buyers. Indeed, the coop management in Macas felt that many coop members were not genuinely interested in cooperatives, and saw the coop as a vehicle for setting up a store that would earn them some money.

Despite the theory of good-will price reduction implicit in most AID coop programs, the agency has not yet systematically analyzed the financial results of the many cooperative supply operations it has promoted. There is no data on whether these sales operations actually do lower prices, and on whether they provide a decent return to the coops. It may be that the cooperative store has turned out to be a good way of earning income for the coop, at prices no less than prevailing ones. If that is the case, then the coop supply operation should be considered as one of various ways for the coop to finance itself. This income-earning, rather than price-reducing, conception of the supply operation puts it in a different light. One needs to determine what kinds of income-earning tasks are simplest for an unskilled organization and will make the least demands on its limited business experience: a marketing operation? a store? a cattle ranch? a communal plot? a forced capitalization charge on loans? All these forms were found among the AID-financed

Ecuadorean cooperatives as approaches to income generation for the cooperative, and thus the question has its own sections below (Communal Farming and Marketing vs. Supply Operations).

Though CREA had failed in setting up marketing coops as described in the AID project specifications, it was proceeding along another path, three years after AID termination, trying to involve its coops in the less demanding tasks of setting up and running stores. Clearly, the stores were a far cry from the original vision of marketing schemes, and may even have been of insignificant benefit to members. But they were perhaps serving as a first step in cooperative activity: they were easier than marketing and they helped familiarize coop members with markets outside their community. Further discussion of the store questi is reserved for the Marketing vs. Supply Operations section below.

Multipurpose organizations and CREA's infrastructure projects. Another distinctive feature of the CREA project was that the coop program was a small part of a larger organization involved in a gamut of regional development activities--roads, electric power, potable water, community development, small industry, etc. This was in contrast to all the other AID-financed coop organizations, where such complementary activities were housed in other ministries or public sector organizations. In CREA's case there was an organizational logic for integrating coop development with other activities. Not only was there obvious complementarity between

the various types of projects CREA could engage in, but there was an important complementarity between the cooperative department's involvement in a community and that of, for example, CREA's infrastructure department. The presence of CREA's cooperative and community development departments in various communities made it more feasible and desirable for CREA's infrastructure projects to be linked up to local participation.

The infrastructure department of CREA draws on local participation in the design and execution of its dirt and gravel road projects. From 20% to 80% of the cost of its dirt roads ("horseshoe paths") are contributed by the community, in the form of voluntary labor and simple implements. The opening of access for these communities to other roads is particularly important in CREA's region, where road development has been proportionally less than in the rest of the country. These projects, moreover, serve to increase the benefits of the recently opened road from Cuenca northeast to Sucúa and Macas. Built with IDB financing, this road provides transport access from the fertile eastern slopes and valleys of the Andes to Cuenca and other consumption centers of the country. Access was previously unavailable and difficult because of the extremely mountainous intervening terrain. Much spontaneous colonization has occurred along the road, but the topography has allowed limited expansion out from the road

and has stifled the development of communities lying at any distance from it. Much of CREA's road work involving community participation has served the purpose of connecting these isolated communities to the road.

Local participation in CREA infrastructure projects is facilitated by the Ecuadorean tradition of the "minga." Local town authorities commonly declare one day of each week for work on a community project, and each household must send at least one worker. If a household fails to comply, it must pay a fine usually equivalent to a day's wage plus, sometimes, an additional amount for raw materials. It is difficult to say whether this decentralized approach to infrastructure projects results from CREA's involvement in cooperative and community development, or if the latter was a natural outgrowth of the former. Certainly, the simultaneous existence of the two types of activities in the same organization makes it possible for the infrastructure department to take more advantage of local decisionmaking potential. This, in turn, gives local communities the opportunity to develop that potential. Similarly, the cooperative and community development departments have the infrastructure projects at their disposal as handy objects on which to hang organizational activity, or indicators of the organizational capacity in a community.

There seems to be not that much formal coordination

between the cooperative and community development departments, and the infrastructure department. What happens, more likely, is an informal sharing of information and contacts. The fact that two sides of CREA are present in the countryside provides the opportunity for all kinds of local demands to be channeled to headquarters and handled by the appropriate department within the organization. Thus the organization's infrastructure projects seem to be influenced by requests from communities. CREA reports that it has been increasingly sought out in Cuenca with requests for such assistance by countrypersons who would normally be too shy to approach the big city headquarters of a public sector organization.

Infrastructure projects in developing countries have been criticized for some time as being too large, too capital intensive, and too costly in relation to local resources and decisionmaking capacities. A study of a group of community built or contracted infrastructure projects in Colombia showed them to be at least 40% less costly than similar projects designed and built by outside contractors.[23] The very nature of infrastructure projects may make it difficult for the organization in charge to link itself to local resources and decisionmaking

---

[23]Matthew D. Edel, "The Colombian Community Action Program: Costs and Benefits," Yale Economic Essays 9 (Fall 1969), pp. 3-55.

abilities, even if it wanted to. The designers and executors of such projects work with physical entities, not human ones. They don't know the paths into the community, nor what to do once they get there. By professional training they are not interested in the human resources there and will often see such community involvement as a disruptive invasion into the physical object they must design and construct. The existence of organizationally close colleagues, however, whose job it is to identify and work with the human resources of a community, certainly could help to bridge this chasm between physical structures and human ones. It could make it easier for infrastructure decisions to happen in a decentralized way, and for the materials selection to be more rooted in local endowments. In that most of CREA's budget is invested in its infrastructure projects, the fact that the organization has active cooperative and community development departments may have an important impact on the designs of infrastructural development in the region.

CREA is not unique with respect to the points made above. The latter fit into the discussion in the literature of the advantages of multipurpose organizations vs. singlepurpose ones. In a multipurpose development organization, CREA's cooperative department did not have to put up with the stalling, the lack of cooperation, and the institutional rivalry that occurs when these

complementary functions are lodged in other institutions. At the same time, however, the multipurpose setting makes it less likely that CREA's cooperative department would even engage in the kind of support for peasant farmers that would lead to clashes with established groups. CREA, representing the interests of the region, would not be inclined to engage in activities pitting one group of its constituents against another, especially when the latter represented economic and political interests of the region. Contrast this situation with the singlepurpose activity of FENACOOPARR in its early days, where support for rice peasants desiring land was contrary to the interests of the region's landholding establishment. Indeed, it was at the moment when FENACOOPARR went multipurpose--taking on rice milling in addition to coop organizing--that the peasants felt that they were being abandoned.

If there was any "oppressor" in CREA's environment, it was the central government, characterized as perpetually neglecting the southern region in its public investment programs. The politics of the region, in turn, have been conservative and based somewhat on separateness from the rest of the country; CREA is fairly well integrated into those politics.[24] The other side of CREA's

[24]This is not necessarily the path taken by a regional development agency set up to fight for more attention for the region from the

integrated involvement in the countryside, then, is an attitude toward the peasant, especially the Indian, which is somewhat more paternalistic and even contemptuous than in the other coop programs of the country. The cooperative department, moreover, has not yet accomplished significant structural changes in the countryside or reached significant numbers of people, despite its distinctive features. (The following section includes further discussion of CREA.)

---

central government. The regional development agency of northeast Brazil, SUDENE, was set up with a rhetoric of neglect similar to that of CREA. SUDENE, however, identified with the cause of the peasants, at least for a time, and was thus considered inimical by some established groups.

III - The Issues

The AID experience with cooperatives in Ecuador provides a remarkable variety of approaches, given the smallness of the country and the size of the program. The program can be seen as a microcosm of almost all the important issues involving agricultural cooperatives: federation vs. base-level organizations; homogeneous vs. heterogeneous groups; local vs. regional vs. national groups; new organizations vs. existing ones or parts of them; centralization vs decentralization; concentration of functions in one institution vs. proliferation of function-specific institutions; coop contractors vs. organizational development contractors vs. no contractors; production vs. marketing, promotion vs. business; fee-for-service vs. subsidies; budget support vs. capital lending; singlefunction coops vs. multifunction coops; agronomists vs. coop promoters; AID performance measures vs. benefiting the members.

Though these issues are presented as opposites, they are not necessarily so. Indeed, one of the lessons to be learned from the Ecuadorean experience is the necessity of choosing certain approaches only in certain circumstances, or of making a judicious combination of approaches usually considered dichotomous. The issues are presented in opposition, then,

simply to make them stand out of the rich tangle of programs and problems. I have reserved further discussion of these issues for this section, so they would not be lost in the telling of each organization's story.

Performance Standards: Numbers and Democracy

Of the performance goals which AID set up for its cooperative projects, the most easily ascertained ones fell into the two categories, "numbers" and "self sufficiency." "Numbers" referred to the number of individuals and cooperatives belonging to the organization, and the rate at which they were growing. Self sufficiency was the degree to which the aided organization was able to finance its budget, which could be expressed as a percentage number. Of course there were other quantitative measures--paid-in capital, savings (the credit unions), loans and loan delinquency rates, production marketed. There were qualitative standards as well. What was the organization doing to achieve self sufficiency, what was the quality of its promotion and training programs, what success was there in getting coops to market their produce? Most of the performance goals, in sum, related to the health of the organization assisting the individual coops.

Impacts on the welfare of coop members and nonmembers

had almost no place in the goals and output data of these projects. No demands were made for information or performance in the area of the structural changes in production and marketing which cooperative development was supposed to bring about. One of the most desirable measures of impact, of course, would be the income changes of coop members, of nonmembers who might be receiving external benefits from the coop, and of nonmembers completely outside coop influence. Such measures are extremely complex and difficult to obtain, however, and are often subject to misinterpretation. Though AID is now financing the elaboration of survey techniques to this end, it might be unrealistic to burden a recipient organization with the collection of such data. There are, however, simpler measures; but even the simplest of them was not requested.

Cooperatives, for example, often set up stores. It would be easy enough to assay prevailing prices in a small town before and after the setting up of a coop store. One of the justifications for such stores is that they break the power of the private storeowner to charge exploitative prices. Is this really true? Likewise, it would not be excessively demanding for AID to ask for regular reporting on the earnings and sales volumes of these stores. It is important to check the theory that these stores can spread external benefits through lower

prices and still come out in the black; in fact, there is no data on which to determine whether the stores can do all right even when charging prevailing prices. In coop programs involving technical assistance, as another example, members could be easily surveyed as a part of project monitoring as to how many visits from a technician they receive, and what resulted from these visits; or how many members and nonmembers had switched production techniques or crop mixes as a result of the coop. It would be relatively easy for monitoring organizations, moreover, to compile size distributions of the loans granted to farmers through coops. This would indicate whether the cooperative was indeed democratic in its distribution of benefits or whether coops, as many say, are controlled by and operated for the benefit of a nonfarmer elite. I was not able, for example, to check out my suspicion on this question when I found that FECOAC's DAPC loans to farmers were disproportionately concentrated in livestock, as noted above.

It is important not to overburden such programs with reporting demands. But the kinds of measures I suggest are probably even less demanding than the bookkeeping and audit demands placed by AID on these organizations. That no interest was expressed in such measures until recently probably results from the imprint of the U.S. cooperative movement and its supporters on AID's coop programs. The only real task, according

to this ideology, was to set up the organization and make it work well. The impact on the production and welfare of the agricultural population was assumed to follow automatically. Thus there was no reason to ascertain it independently, since it would be implicit in the performance record of the organization.

When impact studies were carried out, they were done outside the mainstream of project monitoring, and had almost no data to work with. Hence conclusions were based on spot interviews with members and, more often, managers. Four impact studies, for example, were made of FECOAC's supervised credit program over a period of five years.[1] All four studies came out with similar conclusions: that the program was not very successful in terms of technical assistance and use of credit for specified production purposes, but that it was a success at getting credit into places in the countryside where it had never been before. Though the DAI and FECOAC reports have not yet been officially presented, the judgments in the first two never appeared in the output measures of the project evaluation reports on FECOAC. Though evaluations referred to these reports, and said that action would be taken pursuant to them, the evaluations revolved around

---

[1]Davis, "Study of a Pilot Project;" Keeler, "Evaluation of DAPC;" DAI, "Rural Development Program," Vol. II; FECOAC, "Estudios del sistema de suministros."

the numerical organizational performance measures and discussions of them. Though the impact findings were probably useful to FECOAC, CUNA and the AID mission in improving the program, they were not integral to the process of renewing the project agreement AID's coop projects, then, have no written history of their impact and little data out of which to create one.

It is not surprising that the self sufficiency and numbers standards gained such importance in monitoring AID's coop programs. As mentioned above, the pressuring of U.S. coop contractors, and the dissatisfaction of Congress with the neglect of the "democratic" aspects of development, had contributed to the agency's foray into cooperatives. Since cooperatives were being promoted as an antidote to political authoritarianism, let alone underdevelopment, their numbers were a logical measure. The greater the number of people and organizations, the more democratic the program. The numbers might be undemocratically structured or might represent paper organizations, but they were the easiest and most straightforward measure around and satisfied congressional demands for simple proofs of performance. Numbers, moreover, were bread-and-butter calculations for the U.S. coop federations, for increased numbers meant more dues and more demand for federation-supplied services. CUNA, for example, attributed the setback of FECOAC's early plans to become self financing to

"slower credit union and member growth than anticipated."[2] Number in short, meant income to the U.S. organizations and they were in the habit of marking progress that way.

Though numbers could mean automatic income for a coop federation in the United States, where healthy base-level coops existed and had preceded the growth of federations, this was not true for Latin America. In the latter environment, coop projects were supposed to create federations and coops at the same time; or, what was virtually the same, federations were to start out working with moribund coops into which they would breathe life. Dues-paying and service-buying would be far from automatic in such a setting; they would have to be just as vigorously promoted as the formation of cooperatives in the first place. In this developing country setting, then, there should have been no revenue-earning magic associated with cooperative numbers.

There was something confused, moreover, about the linkup in development assistance thinking between coops and democracy. The fabled cooperative democracy had to do with the structure and benefit distribution <u>within</u> the coop organization and among its members--rather than in the society at large. Of

---

[2]CUNA, "Ecuador: Final Report, 1971" (30 June 1971), p. 20. The initiation of the DAPC program was also pointed to as a cause of this slowdown in growth.

course, the existence of many cooperatives in a country would help give interest-group power to some otherwise powerless people, and would also develop the grassroots decisionmaking capacities of a society. But no historian would ever claim that cooperativism in the United States, for example, was significant in the growth of that country's democracy, or had contributed in an important way to the lessening of income inequalities. Nobody had ever proposed coops as a way of reaching the American poor, nor had any of the strategies for attacking rural poverty featured cooperatives in a key role, as they do for Latin America. Cooperatives in the United States are better defined as the outgrowth of a democratically permissive setting rather than the cause of it.

The cooperative concept, moreover, is exclusivist. Coop statutes forbid the provision of services to nonmembers, though this prohibition can sometimes be circumvented by servicing nonmembers at higher prices. As coops grow stronger, they are able to impose more rigorous standards on membership, which tend to exclude the less economically able. These measures, of course, are perfectly reasonable ways of going about building a strong organization, though they sometimes prevent the organization from serving nonmembers in a way that would strengthen itself. The exclusiveness of cooperativism means that many possible income-

spreading or external benefits of the cooperative's mere existence in a region will not develop into their full potential, a point to which I return below. If coop democracy were to be justified on the grounds of numbers, however, these external benefits would be one of the only ways to involve enough of a population to be able to call a program democratic.

Unless a cooperative program aims to cooperativize a significant share of a country's peasant population, then it is unreasonable to project a causal relation between coops and democracy in a country's development. The relation was claimed, however, in justifying the U.S. cooperative program abroad, where internal coop democracy was somehow expected to creep out into society at large. Coop programs were pressured to show numbers and their increase numbers were supposed to be an index of democracy; in the cooperative lexicon for developing countries.

The numbers criterion was not only a misguided measure of performance. It also pressured coop-assisting organizations to spread their technical assistance resources too thin.[3] A coop federation, for example, might do well to take very few coops at a time, working with each one intensively. As these groups started to move into their own, the federation could move on to

---

[3]DAI, "Rural Development Projects," Vol. II; CUNA PAR.

new groups, the original group requiring only skeleton assistance. This strategy is particularly relevant in developing countries, where certain organizational forms in themselves are a difficult thing to come by.

If judged by the numbers criterion, such a strategy would not gain any credit. Even if it were successful with its first few groups, it would probably be shot down early in the game for its limited results in numbers. Thus coop programmers were unlikely to consider the strategy, because of the low numbers payoff. Some ex-PPEA managers criticized the program in precisely these terms: they felt that by working intensively with a small number of coops, the program had laid the grounds for substantial success. Carried away with the enthusiasm of these first successes, they said, the program went on to exceed its projected goal in coop numbers. For 1974 it had anticipated 30 coops and ended up working with 47, in an unusual reverse of the common over-estimation of such goals. According to these ex-managers, this expansion was premature and threatened a decline in the ability of the program to create viable coops.

The numbers criterion, of course, is not to be slighted. Programs addressing the neglected agricultural population can only be justified in terms of significant numbers. But cooperatives could never be expected to achieve that kind of coverage, as

explained above, especially not in the short runs covered by AID projects. The cooperative project, in short, did not fit its objective. It was never accepted for the selective strategy that it was, and hence never got to be evaluated on those grounds.

The Santa Teresita credit union of FECOAC and the San Felipe rice coop of the PPEA are two examples of success stories that are often dismissed as exceptions. They were pilot projects, it is said; they were the subject of lavish attention by the sponsoring organizations and too extravagantly treated to be repeated on a large scale. Yet these two projects are now almost completely self sufficient, unlike the majority of the coops which account for the success in "numbers" terms. Could other San Felipes and Santa Teresitas be created by proceeding in a sequential fashion lavishing as much at each stage as was lavished on these two favorites? The question seems never to have been posed, probably because it would mean that progress according to the "numbers" criterion would be relatively slow.[3a]

[3a] The Ecuador Mission suggests that the successes of these two projects are also a result of good management, excellent farmer participation, and adequate funds on a timely basis.

Performance Standards: Self Sufficiency

The goal of organizational self sufficiency was, in part, a function of good numbers. Genuine concern over self sufficiency was probably more a result of Congressional pressures than of the coop federations. AID was always under pressure from Congress to indicate when it would all be over, to put termination dates on seemingly endless activities, to prove that these activities could one day exist on their own--a not unreasonable concern. The pressure, however, seemed to result more in the "invention" of self sufficiency and AID termination dates than a real grappling with the issue of organizational growth and independence. AID did not seem to take its own termination dates and self sufficiency calendars too seriously. Failure to meet the goals seemed not to arouse serious questioning of the contractor, the program design, or the goals themselves. Why did such a reasonable goal work so poorly?

The failure of coop numbers to pave the path to democracy and organizational self sufficiency in the developing country milieu was only one of the problematic aspects of the quest for self sufficiency. The form of AID's assistance to coops, through U.S. coop contractor organizations, contained a distinct bias against self sufficiency. If the assisted organization were to become self sufficient, then the contractor's services would no

longer be needed for that particular organization. Project agreement rhetoric notwithstanding, then, the contractor arrangement carried a hidden organizational disincentive to self sufficiency.

Actually, the self sufficiency objective was like a strange game in which everybody agreed to work toward the goal, but where everybody had something to lose if it were achieved. If the coop contractor pushed its federation into self-sustaining growth, then no more contracts. If the coop-sponsoring organization gained 100% self sufficiency on target, AID assistance could terminate. Most donor organizations never abandoned their protegés in bad straits, so why should an organization plan for its own demise? This was just the argument of one of the federation managers to a CLUSA adviser, when told that he (the manager) should charge for accounting and other services to member coops. "Our coops are poor," he said, "and can't afford to pay for such services. Anyway, even if we charged for them, AID would just reduce its subsidy by a corresponding amount."[1]

AID itself may not have been that concerned with self sufficiency. Under constant pressure from Congress, the agency's project termination dates were sometimes selected out of the air. If a projected self sufficiency date approached and passed

---

[1]CLUSA files.

without success, one could always claim extenuating circumstances and argue the folly of abandoning a half successful undertaking in midstream. The contractor and the recipient organization, of course, did not believe that AID budget support would continue indefinitely. But there was no reason to become self sufficient until AID withdrawal was a fact, since any progress in earning one's own revenues might be matched by a counterbalancing reduction of support. The incentives of this situation were just as counterproductive as those of the U.S. welfare system, when it withdraws its benefits from those who start to work. All parties to the project agreements, then, may have had a very rational lack of interest in self sufficiency.

The lack of incentives toward self sufficiency may explain why, for example, the impact of a newly created Coop Bank on FECOAC's income-generating powers could have been so easily overlooked by the mission, as described above. It may also explain why FECOAC was not able to meet its targeted self sufficiency date of June 1972. In 1971, "under pressure of projected AID withdrawal," a new dues system was voted which "was to be one of the highest in the western hemisphere."[2] By 1973, this new system was to be in complete operation. By 1973,

---

[2]CUNA, "Ecuador: Final Report, 1971" (30 June 1971), p. 13.

however, FECOAC was still only 47% self sufficient, and was still slated for at least US$38,000 of AID budget support in 1974 and $5,000 in 1975. The dues system, needless to say, had not worked. AID had renewed its project agreement with FECOAC even before the new dues system had had a chance to produce, or fail to produce, the much-heralded results. One cannot know, then, what would have happened to FECOAC's new high dues system, or other sources of revenue, if the threat of AID termination had actually materialized. As early as 1969, the Davis evaluation of the DAPC program and FECOAC had made a similar argument. AID, CUNA and Peace Corps assistance and funds to FECOAC, it said, "augments the federation's dependent status and hinders its attempts to deal effectively with its financial problems."[3]

Even if the targeted self sufficiency date were believed, this would not necessarily goad the recipient organization to put its house in order--to start charging for services, get involved in income-earning business activities, search for other sources of financial support, curry favor with the government. In the search for this kind of support, organizations have much more bargaining power with members and outside institutions if they are in crisis, and have proof positive that survival is at stake. Particularly

---

[3]Davis, "Study of a Pilot Project." p. 89.

in developing countries, where time horizons are short, it would be difficult to garner financial support on the grounds that a crisis would occur two years hence.

With these kinds of inadvertent disincentives to self sufficiency, it is next to impossible to judge an AID-assisted organization's capacity to go it alone, or evaluate the commitment of members and outside institutions to support it. Until AID monies are completely out of the picture, one cannot even gauge the value of federation services to member coops by whether they are willing to pay--the economist's time-honored measure of people's evaluation of things, their "vote in the marketplace." Under this type of disincentive system, the evaluation of the self sufficiency of AID-sponsored coop organizations would begin ideally at the time of AID withdrawal.

It was only after AID assistance to FECOAC was markedly reduced and definitely phasing out that the federation, in face of the failure of its new dues system, started vigorously pushing a plan for the marketing of agricultural inputs. Likewise, it was only after AID withdrawal that FENACOOPARR was accused by its members of becoming exploitatively businesslike, and secured the Coop Bank loan for setting itself up in the machinery rental business. It was only after AID withdrawal that FECOPAM started to emphasize and charge for land titling services to member coops,

a much more desired service than auditing or technical assistance, as discussed below. It is not yet clear whether these organizations will survive, and whether the form in which they survive will be desirable in terms of project goals. But one thing is clear: they could not have been expected to move vigorously, under the umbrella of AID support, toward self sufficiency.

This strange combination of target dates and their disincentives would not necessarily be problematical if it served the purpose of making everyone happy. But just the opposite happened: AID project monitors and various auditors were constantly criticizing recipient organizations for not running the kind of businesses they should--for not charging for services, for not having a healthy dues system, for concentrating on promotional activities for which charges were not made, for becoming involved in activities which, even when successful, did not generate revenue. Recipient organizations, in turn, became increasingly testy under this barrage of criticism, but they could only react in ways which would not jeopardize their assistance. On paper, they had to do things right; but in their informal relations, they could give vent to their annoyance by being obstreperous.

For AID-assisted organizations, self sufficiency was a formal goal. Their organizational reality, created by AID, was that they were being subsidized in a way that few organizations

in their environment ever had the luxury of experiencing. In such circumstances, any rational organization would want to engage in activities that it might never be able to afford as a self-financing entity--mainly, promotion and proselytization through the provision of free services. It was not just that these organizations were almost 100% kept by AID; in addition, the level and content of their support, though modest by U.S. standards, was sometimes lavish compared to other organizations in the public sector. FECOAC, for example, had jeeps provided by AID and a budget to pay for per diem of government extension agents. With this, it was possible to woo away the time of Ministry of Agriculture extension agents who, as in most such countries, were chronically short of wheels and per diems. In August 1969, FECOAC acquired two agronomists from the Ministry of Agriculture to work exclusively with eight credit unions in the provinces of Carchi and Los Rios; the Ministry paid their salaries, and FECOAC paid all other expenses.[4] This acquisition by FECOAC, by the way, was not easy; it took four years of unsuccessful requests by the federation to an extension service that was understaffed and used to serving larger farmers. FECOAC's ability to win over these agents with its AID-financed funds and equipment, then, has an important positive side; AID

---

[4]Davis, "Study of a Pilot Project," p. 77.

support of an institution outside the extension service facilitated the partial transference of extension attention from larger farmers to smaller farmers. Contrast this with the common recommendation to extension services to accomplish this redistribution of attention themselves—a recommendation of difficult implementation.

What organization trying to gain strength would waste the opportunity to provide free extension agents and instead try to convince member coops to pay for that service? What organization would not take the opportunity to provide free services as a way of luring member coops to its ranks? FECOAC promoters for the DAPC program, for example, worked with the entire credit union, not just with its farmer members (non-farmer members averaged 60% of DAPC-union membership). For this and other reasons, the program was criticized "for concentrating on institution-building" and creating "a program of promotion and not a program of directed agricultural production credit."[5] Yet the form and amount of AID assistance, and the creation of a federation at the same time as the base-level credit unions, almost predestined a first stage that would be intensely promotional and favor-granting. This, in turn, was antithetical to the goal of member-financed self sufficiency. The case of FENACOOPARR provides another example of

---

[5]Davis, "Study of a Pilot Project," p. 57.

an AID-assisted organization wanting to use its limited period of AID funding for promotional activities. This example is elaborated in the section on organizing peasants and marketing coops.

In contrast to what AID expected of the federation-coop relationship, there was a contradiction in the AID-federation relationship. AID and the coop contractors were in a subsidizing, tutelary relationship to the federations, and yet expected the federations to engage in a more sophisticated business relationship with their member coops. It was as if the AID-federation relationship were more lenient and accepting of the underdeveloped state of organizational skills than the relationship that AID expected the federation to have with its members. To say the least, the member coops were in no more advanced a state of organizational growth than the federations.

Self Sufficiency and Charging for Services

The coop projects in which self sufficiency was not an important issue were those that did not charge for services and did not involve the setting up of coop federations--the PPEA and CREA. In these projects, AID assistance did not involve complete budget support; or, other things were financed in addition to budget support that gave the program its dominant character. The major expenditures of the PPEA program, for example, were for credit. The budget for the program's office was to come from a portion of the interest charged on the program's credit and not from AID; when the interest charge proved insufficient, the Ecuadorean government subsidized the difference--a breach in AID's policy of sticking to the private sector approach in its coop projects. Even though the PPEA was providing the exact same kind of technical assistance to participating coops as were the coop federations, nobody was concerned about self sufficiency or charging for services.[1]

After so many years of concern over charging coops for services, it was remarkable that in a separate project in which the same services would be provided, the subject never came up. The idea that a properly developed coop should pay for services, a basic tenet of AID's coop programs in Latin America, was abandoned for this project without a word. The dominant role of

[1]The Mission points out that the coops are paying for technical assistance, in a sense, through the interest rate and that they are expected to pay technical assistance costs out of their own budget when they become successful. If the latter is true, however, this means they are not now paying for technical assistance. Also, the interest rates are concessional.

credit in this project seemed to have determined that the supply of any service by the sponsoring organization was justified, so long as it was in pursuit of keeping the credit moving and getting it paid back. In fulfilling this task, as mentioned above, the organization ended up having to supply broader assistance coverage to coops than had been originally anticipated. This may be one reason why the question of charging for services did not come up.

In every way, credit was a more fruitful path to self sufficiency than technical assistance to coops. It was a more desired good than technical assistance, so people were willing to pay for it. Part of the charge could be made in an almost invisible way that was not dependent on the handing over of cash by the user of the service: a charge could be deducted from the principal of the loan before it was ever delivered to the borrower, as the Coop Bank did. Interest on that charge would be earned, moreover, even though it was never lent out. "Repayment" of the charge would be diffused over the future as an insignificant proportion of amortization payments. A further charge could be added to the interest rate for administrative costs, as banks

often do, and as planned to provide operational revenues for the PPEA. This type of charge was also dwarfed by the fact that it was tacked onto interest and amortization payments of which it was a small percentage.

Many coop members did not perceive the charges they were paying as anything more than interest on their loan. In response to questions as to what the Coop Bank charged them, they would say "about 13%." (Even if this amount were divided up into its component parts--interest (8%), commission (1%), and capitalization (4%)--13% would be inaccurate, since the 4% capitalization was applied once to total loan value rather than, like the other charges, to outstanding balances.) For a variety of reasons, then, credit was much easier to charge for than technical assistance. Yet it was the technical assistance organizations who were under the most pressure to charge for their services, when their product was one of the least desirable ones to small farmers.

The credit comparison shows that part of the problem of charging for technical assistance services lay in the nature of the charge, and part in the fact that people were not interested in buying the product. In a sense, the AID-created federations were being asked to perform an almost impossible task: they had to develop themselves financially at the same time that they had to convince their members to desire and pay for what they could

supply. This was in sharp contrast to the already revealed strong desires among small farmers for credit, land, and water, and their demonstrated willingness to pay for them. In this light, the federations were more realistic than their advisers in looking at technical assistance as something to be taught rather than sold.

To charge for technical assistance was also more difficult than for credit, land or water, because of the nature of what was being bought. Technical assistance was a much less palpable thing than a piece of land, a volume of water, or an amount of money. With payments for technical assistance, you were buying the possibility of an improvement in your organization or your crop yields. Paying for a service that provided such diffuse and future benefits seemed out of place in a program involving persons with urgent immediate needs and highly uncertain futures.

It was not that the coop federations should never have been made to worry about financing themselves. Rather, they were stuck with a group of services, as a means of support, that were among the most difficult to charge for. Some services and goods are more chargeable than others and this chargeability varies widely from one socio-economic context to another. The chargeability criterion should enter into the decision of what the organization should provide and what it should charge for. Chargeability, after all, is a measure of demand. There are enough scarce goods and

services demanded by the agricultural poor, and it is difficult enough to devise organizations to provide them, that one should not have to take on the task of providing services that one thinks the beneficiaries ought to desire.

Most of the coop federations have in one way or another assisted members in their attempts to acquire land. Except in the case of the rice coops, this role was not planned in AID's project designs; the land distribution function was formally located in the agrarian reform agency, IERAC. Though services relating to land acquisition were not the legitimate domain of coops and their federations, they were excellent candidates for charges. To the peasant farmer, coops and federations represented a new source of possible access to organizations considered inaccessible by them. Thus members often asked for advice and help concerning land matters; coop organizations often found themselves involved, even if informally, in such assistance. Examples of this assistance, and its implications, are discussed in a later section. Actually, the first successful experience with charging by the weakest of the federations, FECOPAM, had to do with land. The federation has started charging for land titling services, in its capacity as broker between the coop and IERAC, and has had enough success with the charge to make it optimistic about its potential as a source of revenue. This is after several years of financial

dependence and failed attempts to collect dues and to charge for services.

One of FENACOOPARR's conflicts with AID was directly related to the issue of land acquisition. As described above, FENACOOPARR wanted to hire two lawyers who would work full time on land adjudication and titling matters, and AID would not approve the expenditure. Though it may have been difficult for AID to approve the hiring of lawyers by FENACOOPARR in this instance, the desire of the federation to provide this service might have been seen as a chance to introduce a very chargeable service. Since FENACOOPARR was one of the federations over which AID concern about charging was great, the hiring of lawyers might have been looked upon as a needed and promising opportunity. It may have been more realistic at that stage of FENACOOPARR's development to ask it to supply and charge for land acquisition, rather than assistance and marketing services. The PPEA now supports a union of pre-cooperatives which provides legal services to such groups, mainly in land acquisition matters.

Charges on services facilitating the acquisition of land may also be an easier first step in an organization's attempt to finance itself, because of the onceover nature of the charge. The buyer has to pay only once to get the product that the service facilitates. If the supplying organization is young, when rates of growth in membership are higher than they will be in a more stabilized future, then there may be enough newcomers from which

to collect that onceover charge to provide a substantial and constant source of revenue. There are probably other charges of this nature that should be considered when fledgling organizations are exhorted to be self-financing.

The CREA project, as shown above, was also a case where self sufficiency and charging for services was never an issue, even though the relation between the organization and its coops was almost the same as that between the coop federations and their members. Without charging for its services, the coop department became "self sufficient" after termination of AID funds, in that its budget was taken over by the parent organization. The CREA project, of course, was not as financially ambitious as the PPEA or the Coop Bank, nor of the political import of FENACOOPARR, nor as long lived as assistance to FECOAC. In that it was more modest, its survival after AID withdrawal may have been easier than that the other programs. That the program was grafted onto a large, established public sector organization may also explain the smoothness of the transition.

Like the coop federations, CREA was to assist in the upbringing of base-level coops. CREA's provision of subsidized services, for example, included a program started recently to upgrade the quality of coop managers. CREA asks the town to nominate a young person for training, after which the town will

receive one of these trainees as coop manager (if it does not want its own nominee). CREA pays the new manager's salary the first year, after the coop obligates itself to pay his social security and insurance costs; in the second year, CREA pays 60% of the salary, with the coop footing the rest of the bill, until a third or fourth year when the coop is to assume full costs; the program has not been in existence long enough to determine if the coops are taking over their costs. CREA considered the cost of this training and salary payment a necessary subsidization of the process of creating management skills. This contrasts with the PPEA practice described above, whereby the program took recently graduated agricultural technicians and farmed them out to coops who were to pay their salaries from the start.

The federations, of course, supplied these kinds of services too. FECOAC, for example, paid the expenses of extension agents serving individual credit unions participating in the directed agricultural credit program. After doing this for ten years, however, it had found only one coop that was willing to pay for these services, and then for only a part of them (Progresso). But in the case of FECOAC and the other coop federations, these services were not considered by AID as justifiable subsidies. They were considered promotional activities which, after the coop got hooked, would almost magically transform themselves into

revenue-earning services for the federation.

The federation projects, then, were much more demanding than that of CREA. The federations would not only have to nurture their young coops, but eventually they would have to live off them. CREA, in contrast, could move from one coop to the next without having to curry financial favor. On the one hand, then, the CREA project did not confront as difficult prerequisites to organizational success as did the federation projects. On the other hand, CREA was able to embark on its coop project with much more connectedness to sources of institutional power than were the coop federations.

The coop federations, of course, may have always known that they would never get their member coops to pay for these services and did not worry about it too much because of their AID budget support. But since fee-for-service was such a basic aspect of all the coop federation projects, and the reason for charges was to insure the viability of the federation, the subsidy question never even got to be considered. It was not relevant to ask whether the public sector should subsidize the development of scarce management skills and organizational capabilities at the local level when AID was creating "independent" federations that would eventually need a source of income. If the coops did not want to pay for the service, or if the federation was soft on charging, then the program was considered wanting. Even if individual

coops had "made it" by having access to these free federation services, that success was muted by the failure of the federated organization to live off it. An AID audit report, for example, noted that CLUSA had been successful in "organizing base-level cooperatives" in the late 1960s, but had had "limited success" in organizing "well-managed cooperative federations" in the cases of FENACOOPARR and FECOPAM. The latter weakness was attributed to factors such as "lack of commercial expertise on the contract team," rather than to the difficulty or possible infeasibility of the task at hand."[1a] The success in organizing coops was overshadowed by the concern over the failure at organizing federations. Thus the story of the success was neglected, as well as the lesson that might be learned about the desirability of forming coop federations in the first place as part of AID coop programs.

With the CREA project, AID had financed a program that showed that federation-type services could be supplied free to coops by an organization that was <u>not</u> a federation and that was not unsuccessful. By going along with the cooperative contractors' prime emphasis on federation, AID prevented itself from asking whether these services should be charged for in the first place;

[1a]AID/E, "Audit Report #1-518-73-90," pp. 24-25.

and from asking what was the best organizational form in which to supply them. Indeed, it was believed that the lesson to be learned from the Ecuadorean experience with credit unions was that you would never get away with charging for services unless you did it from the start.[2] Taking advantage of this lesson, it was said, AID's Paraguay program with CUNA and DAPC credit unions charged from the start. There was no consideration, for example, of whether such charges contradicted the income-redistributive goals of such an agricultural development project. The Paraguayan success in charging for services, that is, may have also represented a step away from the lower reaches of the rural income distribution.

---

[2]DAI, "Rural Development Projects."

Self Sufficiency and the Private Sector Approach

In contrast to CREA and the PPEA, the coop federations were set up as private organizations, in keeping with the spirit of the coop movement in the United States. Though they would at one time or another engage in relations with the public sector, the philosophy behind their design was to shun dependence on public sector financing. Of the federations, FECOAC seemed to maintain the greatest distance from public sector involvement; even at the time of AID withdrawal, it avoided the Ecuadorean government in its search for new sources of support. FENACOOPARR took the opposite course upon AID withdrawal. Though distance from the public sector had made sense in the beginning when it played an adversary role, it avidly befriended the public sector upon AID withdrawal: to gain credit, to lobby for increases in rice prices, to obtain power over the marketing and milling of rice. It even proposed a government subsidy for the federation, which would amount to the difference between the official price at which FENACOOPARR had to buy its paddy rice and the usually higher free market price at which farmers could sell to private intermediaries.

In contrast to the federation, AID designed the PPEA as a public sector entity. Out of a hankering for the independence of its private sector approaches, however, the mission tried to fashion its public sector entity with minimal relation to the public sector,

as described above. Unlike the federations, the PPEA was part of the public sector and, unlike CREA, it had no good connections with that sector's institutions. The isolation of the PPEA had to be modified eventually in order to insure the organization's survival. The Office was placed under the aegis of the Ministry of Agriculture, which is now trying to secure further resources for the program. It is not clear, however, whether this "adoptive" institutional parent will have enough of an attachment to the program at the time when AID withdraws or when it is struck with adversity.

At the same time, the PPEA may be a case where, if the organization is successful, it is no longer needed. If rice farmers have been organized, irrigation systems put in place, and coops given access to credit institutions, then an ending to the organization with the cessation of AID funds might not necessarily mean failure. AID documentation on the program does not project this kind of early end; at the same time there is no concern for self sufficiency and organizational permanence of the type found in the coop federation projects. It is difficult to say now whether the benefits to the PPEA of avoiding entanglements with other public sector organizations will turn out to be greater than the costs.

The issue of whether some organizations would do best as temporary entities has never come up in the designing of coop projects. In general, the answer probably varies considerably with the task to be accomplished and the political commitment of

the government to that task. The project that attempts to establish a new and permanent organization among existing ones had best proceed with some kinds of tie-ins to the establishment; a project that, in contrast, seeks to accomplish a task for which the organization is a temporary means may be able to afford to do with less relationship to existing institutions. This may be especially true if the task involves a different approach to things, and requires concentrated expenditure of resources and staff in a short period of time. All this represents a rhythm of activity out of step with that of established institutions. The PPEA, of course, fits the latter description. This may be a more realistic justification for AID's desire that the program be apolitical and isolated. Implicit in this desire may have been an appreciation of the task orientation of this particular project. The issue of temporary organizations is discussed in a separate section below.

The primacy of self sufficiency as a performance goal in AID's coop projects, in sum, seemed to go along with a rigid concept of how that goal could be achieved. It assumed away the basic issues of whether certain services to peasant farmers should be subsidized. It neglected consideration of whether demand existed for the services to be charged for, and of the varying facility with which different types of services can collect their charges. It ignored the importance of other non-financial aspects

of self sufficiency--mainly, the interrelations of the organization with institutions holding power. And it neglected the fact that at the beginning stages of a coop-sponsoring organization's development, the self-financing approach to member coops might sometimes impede growth rather than promote it.

That the self sufficiency goal could become so blinding was not surprising. It resulted from AID's "turnkey" approach to small farmers, whereby thinking about small farmer organizations was contracted out to private firms who were good at doing one thing: setting up certain types of coop federations with certain types of self-financing features in a certain environment--the United States. It is fortunate that AID became involved in three projects in Ecuador which did not follow this standard pattern--CREA, the PPEA and the Coop Bank. These latter experiences made it possible to gain some comparative information outside the federation setting.

This variety of approaches to organizational development also made it possible to compare results obtained from concentrating AID funds in capital resources, administered by the organization, in contrast to concentrating on budget expenditures. The latter may assure the existence of the organization during AID support, but guarantee nothing about support from member coops or other public sector institutions after AID is gone. Complete budget

support may doom a newly created organization to impotence. It provides no path to the financial or institutional power of the world in which the organization will eventually have to thrive, and it gives the organization the illusion that it can live without such connections.

If budget support is to be provided in this way, a convincing and realistic set of measures and incentives to self sufficiency could perhaps be introduced to counteract the natural tendency of such a situation to go in the opposite direction. Such measures, moreover, should be based on a greater appreciation for the mechanics of institutional power than were those of the coop federation projects.

Self Sufficiency and The Mobilization of Rural Savings

In the credit union system, savings could be a very important source of self sufficiency for individual credit unions, in addition to providing the base for their credit operations. If credit unions could provide attractive and secure interest earnings on savings and accept nonmember deposits, moreover, they might also represent a powerful instrument in the mobilization of rural savings for agricultural development. These two aspects of the savings question seem to have been somewhat neglected in AID's credit union projects.

From time to time, some of the agricultural credit unions in Ecuador engaged in vigorous savings campaigns. Loudspeaker announcements were made at weekly markets, Sunday mass and other public gatherings; radio programs were sponsored, along with raffle tickets, dances and other festivities. The campaigns were effective because they guaranteed the payment of interest at 12% on fixed-term deposits of one year and because nonmembers could also participate. These deposit campaigns were reported by local managers and extension agents to bring a remarkable amount of money out of the mattresses of the countryside. A good proportion of it was from nonmembers, a significant fact from the point of view of development strategy.

The fixed-term accounts were different from the forced saving of credit union members, the latter deposits being a prerequisite for obtaining a loan. Payment of interest on these forced deposits was not guaranteed; it was contingent on the credit union's earnings at year's end and earnings distribution policy. When paid, the interest rate on these deposits was more likely to be around 6% or 7% rather than 12%. Thus members usually did not save any more than they were forced to by lending requirements; their savings represented less an act of saving than they did the payment of a charge for the use of capital. In this sense, these deposits are like the "compensating balances" that private banks often require from borrowers in return for large loans.

An interest rate of 12% was considerably higher than what could be earned in any bank in the country. (By the 1970s, even this rate amounted to a negative real return when discounted by the rate of inflation, which exceeded 25% by 1974.) Even if people had money they wanted to keep in a safe place, without concern for interest earnings, there was a tradition of distrust in the countryside of the banking institutions of cities, and timidity about dealing with them. This often stopped small savers from considering the use of these banks to safeguard their money. The credit unions, in contrast, were dispersed throughout the countryside, in small towns as well as large. The rural unions

had a smalltown homeyness about them, and their offices were usually as humble and ramshackle as the structures in the rest of the town. They and their officials were well known to the people who used the town, and thus could easily become a trusted place to leave savings.

The fixed-term deposits of rural credit unions amounted to about $2 million at the end of 1974--only 7% of farmer savings balances in the 46 DAPC and pre-DAPC unions.[1] If these deposit campaigns were so successful, why didn't the deposits account for a greater share of credit union savings? Why had neither AID nor FECOAC evaluations drawn attention to this achievement in extending savings opportunities into the countryside and mobilizing real capital? Why were the forced savings cited instead as evidence of the program's mobilization of rural capital, when they were more a payment for access to credit? Why were these fixed-term deposits not considered as an opportunity to build up organizational self sufficiency? In that many of the deposits were made by nonmembers, why were they not pointed to as an important external benefit of the credit union mechanism?

There are various reasons why fixed deposits and their nonmember components did not merit attention. There was some doubt,

---

[1]Based on unpublished FECOAC data.

first of all, about the legality of paying 12% interest on deposits. Cooperatives were also not supposed to provide benefits to nonmembers according to the regulations of the National Cooperative Agency (Dirección Nacional de Cooperativas), and in keeping with the spirit of the cooperative movement. Apparently, both these constraints were ambiguous enough that some credit unions felt safe in seeking out fixed-term depositors in a limited way. Any more concerted effort, FECOAC felt, might have drawn regulatory attention.

CUNA and AID had viewed the credit union movement in Latin America primarily as an instrument for credit. Savings was seen as a vehicle to finance that credit and not as an activity to be encouraged on its own. For the credit union member, in turn, savings was a way of getting credit and not a way of earning income; as pointed out above, interest earnings were low and uncertain, so that savings was seen as a forced payment to obtain credit and not as an independent financial activity. In the Ecuadorean credit union system, there was no concern for competing away savings from other financial institutions by offering attractive interest rates or other promotional devices. This was in contrast to credit unions in the United States, which generally sought to pay higher interest on savings than other financial institutions in order to guarantee their capitalization. Why would the Latin American credit unions and their U.S. advisers not have this same basic concern for savings?

The greater development of the financial sector in a country like the United States kept the credit union movement on its toes; to get people's savings, it had to set attractive interest rates and conduct promotional campaigns. While the financial environment in the United States was full of institutional competitors for personal savings, it was thinly populated in Latin America. Personal savings were insignificant in commercial bank deposits, savings institutions were few, and the gap between legal interest ceilings on passbook accounts and the real return to investments was much greater than in developed countries. Savings accounts, moreover, were a somewhat alien form of holding assets in these environments. A rural credit union in the Latin American setting would encounter even less competitive pressure from other institutions to pay good interest on savings; there were many non-financial factors that kept rural people from putting money into savings accounts--e.g., distance from the bank, distrust of banking institutions, custom of investing savings in goods rather than financial instruments, etc.

The lack of competitive pressure from other financial institutions for personal savings may have allowed the Latin American credit union movement and its advisers the "luxury" of concentrating more attention on providing access to credit, and less on generating the savings that would support that credit.

The possibility of obtaining AID-funded outside lines of credit may also have diverted the attention of the Latin American credit union movement and its advisers from promoting savings more than they did. The potential payoff to efforts to obtain AID credit funds may have been perceived as much greater than the effort to convince people to put more savings into credit unions. Agricultural development programs in Latin America, moreover, had always tended to seek out ways to bring outside resources to agriculture rather than explore possibilities for mobilizing rural savings.

Because CUNA, FECOAC and AID were not as aggressive as they might have been about the savings possibilities of the DAPC program, it was never apparent whether they actually would have run up against legal difficulties in promoting savings; to date, they had not. FECOAC seemed not to have attempted to persuade the authorities into modifying the regulations and allowing them to develop their ability to mobilize rural savings. To say that regulations would not permit such activity, then, was perhaps more an excuse than an explanation for why this method of financing had not been promoted.

Though the savings side of things may have been secondary to credit in the Ecuadorean program, it could have gained primary importance in agricultural development. In its DAPC project, AID

could point to a decentralized credit infrastructure in the Ecuadorean countryside to which small people with no previous access to financial institutions could go. That infrastructure was a rare resource in that it would have easily accommodated a savings function. Instead of exploiting the capacity of this infrastructure to mobilize rural savings, however, AID and CUNA directed all their attention to making the credit union "agricultural" with a directed credit program. The system might have been made much more significantly agricultural if it had been more aggressive in promoting rural savings--by nonmembers as well as members. In contrast to supervised agricultural credit, savings was an organizational activity at which credit unions were already experienced.

Perhaps CUNA and FECOAC could not have been expected to show interest in an activity that would have involved substantial benefits to nonmembers--i.e., providing them a place to save and good interest earnings too. After all, the point of the credit union was to give advantages to members, not free rides to outsiders. But from AID's point of view as a development agency, the external benefits of such an activity to the rural sector should have been of great interest. Indeed, it was easier for a development agency to justify the cooperative strategy of small farmer development if substantial external benefits could be claimed. Otherwise,

cooperatives often ended up as institutions of exclusion, as shown in a later section, rather than diffusion of benefits. The benefit to nonmembers of having access to a savings institution would not need to cancel out the edge of members over nonmembers; members could continue to have benefits additional to the savings facility.

A successful savings program might have made individual credit unions strong enough to do without the credit union federation. The federation had served as an intermediary for member credit unions in getting access to Coop Bank credit, one of the few sources of capital outside the credit union's own resources. It was worth affiliating oneself with the federation, if only for those credit-facilitating services. If credit unions were to build up their own capital with aggressive savings programs, however, they might be less interested in the credit intermediation of the federation. There was no reason for the federation to promote an activity, such as nonmember deposits, that might strengthen member credit unions at the risk of weakening their allegiance to the federation--though a savings program would not necessarily have this result. It may have been quite rational, then, that FECOAC did not promote savings more aggressively at a time when it was so preoccupied with its financial self sufficiency and with how the allegiance of affiliated unions could serve that end.

Smallness, Economies of Scale, and Coop Associations

The last sections focused on issues involving the donor-recipient relationship in AID's cooperative programs in Ecuador. The following sections concentrate on the assisted organizations and their environments. Peasant farmer organizations seem to have a natural tendency to be small and homogeneous groups, at least in their earliest years, and concentrated in relatively small geographical spaces. Physical closensss and socio-economic homogeneity provide the kind of social cohesion that is necessary to get and keep a voluntary organization going. These organizational characteristics are important in countries where relations between persons have more personal content than in our own society, and where the impersonal relations of modern organizations are not predominant.

The CREA project provides an example of the natural tendency to smallness and homogeneity. One of the coops set up under the IDF/CREA project became successful only after it reduced its membership and geographical reach. At the urging of CREA and IDF, the Sucúa cattle-marketing coop was originally formed together with similar groups in two nearby towns, Méndez and Macas. The main purpose of the coop was to break the hold of intermediaries on the marketing of cattle in the region, a monopoly which was facilitated by the difficult conditions of transport. Until 1972,

there was no road transport out of this region to the populated part of the country; cattle were taken out on hoof or by air. Combining the three towns made sense in terms of putting together enough power to break the hold of the intermediaries, and in terms of achieving a high enough sales volume to make a marketing operation economic.

From a social point of view, the union of the three groups was not so natural. Though they were geographically close enough to make a unified marketing operation feasible, they represented three distinct and self-contained communities and fell very soon to squabbling. The differences between Macas and Sucúa were particularly pronounced. Sucúa was at the northeasternmost edge of a spontaneous colonization movement of many decades out from the southern province of Azuay; its inhabitants had personal and marketing links with that area. Macas, though only 30 miles from Sucúa, was at the southeasternmost edge of a similar and older migration from the northern province of Pichincha. By 1972, Macas and Sucúa were linked to each other and the southern part of Ecuador by road, a development which had been projected for some time. In terms of allegiance, however, the two communities were quite distinct because of their different settlement histories.

One of the problems of the Macas coop was the migration of members in a northwesterly direction to be closer to their friends

and families in Pichincha, as news spread of projected colonization and road development in that direction. This geographical dispersion of the Macas cattlemen made coop organization and association with Sucúa difficult because members did not converge as frequently on the town. For this and other reasons, the Macas coop has been almost defunct for several years, even though it was still economic for the migrated members to market their cattle in Macas.

The formation of the Sucúa-Macas-Méndez union, then, was marked by the dissension over where the union should be headquartered, how the towns should share in coop administration, etc. Against the advice of CREA, IDF, and AID, which had singled out these particular coops for union, the three towns eventually split into three separate coops. Thereafter, Macas was beset with various problems and never was able to set up a marketing operation; Méndez never amounted to much in cattle marketing; and Sucúa emerged as a successful marketing operation. By 1974, the coop had 63 members and marketed 645 head of cattle for S/3.5 million.[1]

Five years after the three towns split up, Sucúa was starting to talk about the desirability of getting together with Macas and Méndez again. After its initial success in marketing,

---

[1]Based on data from CREA, Cooperative Department.

it was thinking of going one step further and promoting a meat processing plant, which did not exist in the region. Sucúa felt that its cattle production was not great enough to justify such a plant, but that together with Macas and Méndez, it might be. Macas, in the meantime, was impressed with Sucúa's success in comparison to its own problems. Unlike Sucúa, Macas had not been able to break the hold of the town's intermediary and had never been able to get its members to market their cattle through the coop. Macas, then, felt it now had something to learn from Sucúa. Though the Sucúa leadership marveled at the fact that it took them "so long to realize that CREA had been right" about the wisdom of regional union, it was clear that disunion had made it possible for Sucúa to get its good start. It was not that Sucúa had finally seen the light about union, but that it had reached a stage of development where union was feasible and advantageous.

Similarly, CREA had helped form a cooperative at Dandán in the province of Azuay. Dandán was a group of 47 minifundistas who had formed a cooperative because of the possibility through CREA's intermediation of gaining a secure market for tomato sales with a processing company in Guayaquil, as described above. The Dandán farmers, responding to this possibility, had switched much of their production from corn to the more lucrative tomatoes. With a S/60 million capital credit from CREA, Dandán had also set up a

small warehouse for providing production inputs to its members and some basic foodstuffs, like rice, which were subject to periods of shortage.

Some time after the formation of Dandán, another group of farmers down the road a few kilometers in Peña Blanca decided to try to take advantage of these possibilities of tomato growing with a secure market. CREA, knowing of their interest, suggested they get together with Dandán rather than form a totally separate group, because of the economic advantages of the larger unit. Peña Blanca, however, wanted its own group; its members were all neighboring minifundistas, and had been getting together for some time ever since they had heard of the possibility of a government irrigation project in the region. One of the main canals of the project was to pass near their lands, and they hoped to be able to pressure the public authorities into diverting some of that water; they planned to work together in constructing the feeder canals.

Though the irrigation project never materialized, the Peña Blanca group continued. When they heard, through CREA and Dandán, of the possibility of bulk tomato sales to the processing plant, they formed a cooperative. By tradition, then, the Peña Blanca group wanted to keep to itself and not get together with Dandán--and vice versa. Similarly, when Peña Blanca decided to open a small store, CREA again advised that it would make sense

to join with Dandán in this undertaking, since Dandán already had a warehouse in operation. Together, CREA advised, the two coops could achieve greater economies in purchase and transport. Peña Blanca was not interested, and set up its own store, for which it received a capital credit from CREA of S/40,000.

These small coops seemed to be forming along some natural lines in which their small size and unrelatedness to other groups were optimal from a social point of view, though suboptimal from an economic point of view. At that small scale and level of homogeneity, the coops had more chance of surviving as groups, even though the chance for making economic gains through group action may have been slim. Realization of economic gains, however, could not be achieved without a functioning organization. The reverse was not true: the organization did not need the economic gains of group marketing to bring it together, at least initially. It was the expectation of an irrigation project, after all, that had brought the Peña Blanca group together and kept it going for some time.

Economies of scale have been one of the principal justifications of cooperative organization, especially in marketing. The above examples show, however, that there are diseconomies of scale, at least at early stages, when one adds to the economic perspective the social or organizational dimension. As small

farmer groups get larger, they tend to fall apart, thus making the economic benefits of scale unattainable. To state the positive side of these diseconomies is important: smallness and homogeneity provide opportunities for groups to form and grow. It is up to coop-sponsoring organizations to find the optimum sizes and homogeneous characteristics that help bind groups together; these characteristics should be considered as resources with which to work. That CREA continued to assist groups that would not heed its advice to unite, and that the IDF seemed uninterested in forming regional coop unions, may have been based on an appreciation of these factors.

ID and its coop contractor organizations have tended to spurn smallness and to chide small organizations for not getting together into larger units. In addition to the AID mission's comments on the CREA/IDF "failure" to get coops into regional unions, the files on the Ecuador coop projects frequently note the obstacles to their work posed by local and regional rivalries. These problems are often cited in explaining the inability to meet program objectives that involve cooperation of small groups.

Aggregation of groups was basic to the AID emphasis on second- and third- rather than base-level organizations. The almost universal belief of AID and other coop promoters in the goodness of aggregation resulted from one of the basic justifications for

cooperatives: that they enable small individual producer units, in banding together, to achieve economies of scale in production or marketing. The greater the number of individuals and groups, the greater would be the economies achieved. Any program that promoted this aggregation had behind it the force of the scale economies justification. Together with the numbers criterion of performance and democracy, the economic justification of scale created strong pressures in AID programs against smallness and separateness, even when they might be functional.

It is not necessary to scrap the concept of scale economies in order to accommodate this organizational perspective on small groups. Scale economies normally exist within a certain range of organizational size, and then turn into diseconomies after a certain size is passed. The implicit assumption of U.S. coop thinking was that scale economies went on forever, from local to regional to national to international groupings. The justification of the base-level coop according to economies of scale was simply extended, by assumption, to cover any successive and broader agglomeration of groups. Putting the economic and organizational considerations together, however, scale economies might cease at much smaller levels than was assumed, and the point at which economies would turn to diseconomies could vary considerably from one situation to the next. Though second-level organizations are not ruled out

by this reasoning, there certainly was no reason for AID and its contractors to assume their validity for all occasions.

Whereas AID technicians and contractors were accustomed to deploring local chauvinisms and regional rivalries as inhibiting cooperative development, other studies had been pointing to these same factors as elements of coop success. A United Nations study of coops in Colombia, Ecuador and Venezuela, found that smallness and adversity to other groups was a common feature of the successful coops.[2] The success of marketing boards in Africa, similarly, is often attributed to the fact that agricultural intermediaries were foreigners, against whom there was considerable antipathy. The formation of the coop marketing boards coincided with these countries moves from colonialism to independence. Thus expulsion of the foreigner from marketing became an important aspect of the new nationalism--even though the foreigner was of a different nationality than the ex-colonial power.[3] Animosity to the foreigner or other nearby groups, then, was often integral to the ability of otherwise disparate individuals to form viable organizations.

Because the coop approach had been sold as democratic, it would have been difficult for AID's coop promoters to recognize

---

[2]UNRISD, Rural Cooperatives in Latin America: Analytic Report.

[3]Saul, "Marketing Cooperatives in Tanzania," pp. 348-349.

the advantages of rivalry and exclusiveness. Put this together with the numbers criterion of performance and it was almost impossible to hail non-cooperating groups, and groups who admitted some and excluded others, as contributing to program goals. If such contributions were to be recognized, then there would be good reason to give small unconnected organizations access to larger-scale benefits in ways that did not require inter-organizational cooperation as a prerequisite. But this would make coop federations, in some cases, superfluous.

The problem of allowing a coop direct access to benefits without recourse to a federation is well exemplified by the unhappy triangle formed by FECOAC, the Coop Bank, and the individual credit union. Under this institutional arrangement, a strong coop might have access to outside credit without necessarily affiliating itself to the federation--that is, by dealing directly with the Coop Bank. Of course, the federation had made sure it was an important mediator of the credit union's access to the Coop Bank; but the situation was not necessarily destined to evolve that way. The Coop Bank simply charged a high price for getting at its credit and that was what affiliation with it amounted to. Affiliation to FECOAC required a more complex and continuous commitment to organizational association. It is not that the credit union movement would necessarily have been better off without FECOAC. The Coop Bank,

after all, relied considerably on FECOAC to get the credit unions into borrowing shape. The example shows, however, that there are other ways of approaching scale benefits that demand less inter-organizational cooperation than coop agglomerations. These other ways, moreover, do not require the submerging of beneficial inter-group rivalries.

Organizational diseconomies of scale in cooperatives or coop associations will not always manifest themselves at the same organizational size. The stage of growth of the individual coop will determine whether association brings economies or diseconomies, as illustrated in the case of Sucúa. Diseconomies are likely to set in at smaller sizes when coops are new and need a time for closing of ranks. The scale at which diseconomies set in may recede further into the distance as these new organizations develop, just as the Sucúa coop eventually became strong enough to value an association with Macas and Méndez.

The diseconomies of coop aggregation may explain, in part, why many AID projects started out with the purpose of promoting marketing coops and ended up with the more modest phenomenon of coop stores. This was particularly noticeable in the case of CREA, as discussed above, where an initial emphasis on marketing gave way to supply operations. Attempts to get credit unions and coops together in the province of Carchi for bulk sale of outputs and

inputs were also unsuccessful. Many credit unions, however, had their own little stores; out of the 46 DAPC and pre-DAPC coops, 16 had input or household-goods stores or both. Marketing, it seemed, was economically feasible at a scale requiring more volume and more capital than the running of a store. Hence stores may have been more fitting than marketing for small and unassociated groups.

Smallness and exclusiveness, in sum, seem to be necessary to the first stage of coop growth. They may even sometimes characterize the final stage of this particular organizational form. This means that certain forms of activity, like marketing or inter-group cooperation, may be unfeasible at earlier stages of growth or may be achieved only at the cost of diluting the strength of local groups. In that the AID approach emphasized federations, it strove for togetherness at all levels. It ignored the advantages of separateness, precisely at the stage of coop development when togetherness was most difficult to achieve.

Irrigation and Group Formation

Other characteristics of successful small farmer organizations have served the same function as smallness in providing group cohesion at early stages. Most of these characteristics have to do with a singleness of purpose, or a natural physical unit around which members are likely to organize.

One of the most successful forms of small farmer organization in Ecuador are the water user organizations of the highlands ("directorios de agua").[1] They have not been the object of AID financing, Ecuadorean government or private assistance. These associations, which number more than 250, with 40 to 70 members each, were formed solely for the purpose of distributing local water resources to small farm users, and maintaining and constructing simple canal networks. Most of these groups are Indian, in contrast to the mainly mestizo groups of AID-supported programs. The water user associations are estimated to account for more than half of the water distributed to agriculture in Ecuador, and are said to distribute water at an annual cost to the user that is considerably lower than the rate charged by the government water agency, INERHI. Most groups tap a separate water source, given the myriad streams

---

[1]All information here on the water user associations is from D. Craig Anderson, "Irrigation Water Management in Ecuador," M.S. Thesis in Political Science, Utah State University, 1973; and from conversations with the author.

flowing down the slopes to the Andes; there is little need for inter-group cooperation, then, in distributing the waters--a highly significant geographical factor. Some of the irrigation systems are thought to be quite old, corresponding to single systems internal to the once-large haciendas of colonial times.

The success of these groups might be attributed to two factors. They had a single function, the distribution of water, the technology of which dictated what had to be done and when.[2] In addition, the possible size of the group was limited by the boundary of the existing irrigation system. The smallness of each system allowed for group peer pressure to function in the enforcing of member obligations. At the same time, the self-containedness of the systems meant that difficult demands for inter-group cooperation were not placed on these groups. Though from an economic and technical point of view it might have been more efficient to supply the whole area with one system, the organizational demands of such an integrated system might have been much more difficult to meet. Indeed, this was the gist of

---

[2] James D. Thompson is responsible for emphasizing in the organization theory literature the importance of the technology of organizational tasks in influencing the attributes and performances of different organizations. Organizations in Action: Social Science Bases of Administrative Theory (New York: McGraw-Hill, 1967). William J. Siffin suggested the importance of this type of analysis for institution-building programs in development assistance. "The Institution Building Perspective," in Institution Building: A Model for Applied Social Change, ed. Thomas D. Woods, Harry R. Potter, William Land Miller, and Adrian F. Aveni (Cambridge, Mass.: Schenkman, 1972), pp. 124-127.

the comparison made by Anderson between these associations and INERHI.[3] Though INERHI structures were more technically sound, it was said, difficulties in administering water distribution were so great that the agency was in many cases unable to deliver the water even though the structures were in place.

When agricultural coops in Ecuador have tried to undertake this type of water distribution, they have not been successful. The function could not be adequately administered by small farmer coops with other purposes; similarly, the multipurpose regional development agencies have not been successful at this task. The water user associations, moreover, were not cooperatives—one reason why they never received AID attention; indeed, they were much less complex organizations. Officers served without remuneration and water charges were denominated in man-hours owed for maintenance work on the canals--usually two man-days for each hour of water used.

The PPEA shares some of the strengths of the water user associations. The land belonging to a PPEA coop in many cases had been a single unit—i.e., the ex-hacienda bought by the tenant farmers. Many coops have their own individual irrigation system, which they run and maintain. In the Guayas basin, water resources

---

[3] Ibid.

are plentiful and settlement dispersed enough that construction and administration of these systems created no conflicts with existing water users and did not require coordination in water usage among the various groups. The relative underdevelopment of water resources and settlement on the coast made it possible for irrigation administration to be small scale, decentralized and unsophisticated. Unlike the more comprehensive and integrated irrigation systems being planned for the Guayas basin today, these separate and small systems provided a technology around which small farmer groups could form.

The Ecuadorean government and donor agencies are currently placing considerable emphasis on cooperative development for small farmers and, in the Guayas basin, on irrigation projects. The complex irrigation projects they are planning could very well take away one of the few technologies around which small farmers have successfully organized the world over.[4] Though a decentralized and less sophisticated approach to irrigation might involve some loss of technical and economic efficiency, the gain in organizational efficiency may be more important. Small farmer coop organization and production might be greatly facilitated--a declared goal of the Ecuadorean government. Finally, the administrative capacity to

---

[4] E.g., see John D. Thomas, "Rural Public Works and East Pakistan's Development," in Development Policy II - The Pakistan Experience, ed. Walter P. Falcon and Gustav F. Papanek (Cambridge: Harvard University Press, 1971).

operate such a system well might function best with such a decentralized approach--as suggested above in the comparison of water user associations and INERHI.

The PPEA coops, of course, have very little in common with the water user organizations outside the importance and small scale of the irrigation systems. The water user associations deal only in water distribution, in comparison to the PPEA involvement in water distribution, agricultural production and credit. The water associations have appeared spontaneously since the 1930s and receive no assistance in comparison to the strongly directed creation and operation of the PPEA coops. The water associations, in brief, are much more humble beings than the PPEA coops--so humble, in fact, that they are virtually unknown to many students of small farmer organizations in Ecuador.

Infrastructure Projects, Cooperatives, and Decentralized Decisionmaking

The PPEA did not seem to take full benefit of the organizing potential of irrigation. No responsibility for the design or execution of the irrigation works was given to the individual coops nor were their opinions sought.[1] The program originally employed one agricultural engineer to oversee this planning, and now employs five; construction was contracted out to private firms. There were almost no plans to incorporate coop labor in the construction of these systems. This approach to the installation of the irrigation systems probably made good technical and economic sense. A coop-designed system may have been subject to certain kinds of failures and may have taken longer to execute, thus precluding the opportunity to increase output dramatically by doublecropping in the first years of the program. The approach taken, however, excluded the organizational benefits of having the coops do their own systems. It also courted considerable institutional risks.

Capacity for construction work was limited in the private sector. Many of the bid-winning firms were set up on a last-minute basis, often renting their equipment from other firms. This meant, among other things, that if the contracted firm was not able to make its equipment rental payments, the equipment-renting firm would sometimes pull the equipment off the job. An AID/contractor

[1] The mission states that the campesinos were always consulted in the planning of irrigation systems but that they often opted out in terms of concrete participation.

evaluation of the irrigation and drainage systems of the PPEA reviewed the calculations for the design of three projects and found them lacking. The design calculations, representing three different firms, demonstrated a "lack of understanding of how to determine water requirements for an irrigation project." This had not prejudiced the supply of water received by the coops, moreover, only because the works had been "over-designed." The cost to the coops of the irrigation projects, the evaluation said, "probably could have been somewhat reduced with designs that were closer to reality." The report recommended that in the future, all designs and construction of engineering works "should be reviewed and supervised by engineers with sufficient training in irrigation and drainage."[2]

The problems of incompetence and mismanagement in some of the coop irrigation contracts were complicated by floods in 1972 and 1973. The floods wiped out much of the construction works done for the first nine coops in the Program. Most of the contracts were in terms of cubic meters of earth moved, as is the U.S. custom. Thus the contractors counted work done previous to the flooding as completed, though it was subsequently destroyed. The affected coops had to pay again for the earth-moving work. Anxious not to lose another planting season, some coops used crop

---

[2]All quotations in this paragraph are from Edwin C. Olsen, III and D. Craig Anderson, "Los sistemas de riego y drenaje y la organización de cooperativas rurales en la parte baja de la Cuenca del Guayas" (en cooperación con USAID/ECUADOR), Quito (March 1975), pp. [illegible], [illegible]. Translation mine.

production credit to complete the work. As a result, some of the affected coops were not able to repay this short term credit when it fell due, since it had been used for construction instead of crops. For some coops, these problems amounted to the loss of an entire crop year, in addition to the losses of the flood year.

A final complication afflicting these construction projects was the climate and geography of coastal Ecuador, which allows only a limited time for heavy equipment operations. Most of the rice area is under water a good part of the year and early or late rains cause disruptions in the construction timetable.

All the above problems caused considerable resentment among some coops, and accusations of contractor mismanagement from within the PPEA office as well as without. In a meeting between a contractor and the coop, a program technician publicly refused to authorize final payment to the contractor on the grounds of incompetence. As a result of this experience, some coop members became distrustful of the program, considering themselves as having been thrown uncaringly into considerable debt. In these cases, the irrigation experience, instead of building cohesion, had created dissension.

AID has a long history of experience with the "mismanagement potential" of public works projects and the often limited capacities of contractors in the countries where it works. A project like the PPEA, with many small contracts to many small firms, was a candidate par excellence for these kinds of problems. Various approaches to this type of situation can be taken. An iron-handed supervision of

bid awards and project execution can be insisted upon as recommended in the contractor evaluation cited above; a certain level of graft and incompetence can be accepted as unavoidable; some slack can be built into the construction program so that it is not so completely dependent on the timely completion of the irrigation works.

Supervision may not be able to overcome the consummate suitability of this type of project for mismanagement. Or it may require an AID auditing presence that would be intoleraole. The PPEA, after all, represented a considerable improvement over past AID coop involvements; it was a completely Ecuadorean operation, with AID interests represented by only one person, resident in Guayaquil, who was a direct-hire AID employee and not a contractor. In a strict supervision program, the responsibility may fall mostly on AID, given the inability of professionals within an institution to audit and report on their superiors. This approach, then, might have undone the improvement of this coop program over previous ones, and might have paralyzed it with the kind of conflict common to the other programs. In this case, the difficulty of ironclad supervision is just as much a part of the institutional setting as is the graft or incompetence itself.

The contracts for the irrigation works were made between the contractor and the coop, apparently with little counsel from the program, at least in the beginning. These coops were fledgling

organizations and authentically peasant, as the program was proud of claiming, in contrast to the "more paternalistic" coops of the highlands. In that these groups had little business savvy, equality of negotiating power was completely lacking in a situation where such equality was crucial to the working out of a fair bargain. In many of the initial contracts, the coops left themselves without recourse in the case of poor contractor performance. As members of one coop said, "We got screwed in those contracts!"--something they had come to understand, in part, from program technicians themselves. Instead of being empowered by their first group action, then, the affected coops were proven powerless by it. This was no doubt detrimental to organizational morale since it showed that group action, contrary to program rhetoric, was not necessarily good for you.

To pit these fledgling organizations in a bargaining relationship against astute private entrepreneurs was bound to sometimes turn out badly, given the imbalance in the power of the two sides. The program could have substituted itself for the coops in striking the bargain with contractors. It certainly was a more equal counterbalance to the power and sophistication of the other side--just as CREA was a more equal bargaining counterweight, in comparison to small marketing coops, to the market power of food processing firms.

The PPEA might also have anticipated the contractor problem by building more slack into its construction schedules, and by making the coop's farm plan less vulnerable to construction delays. The immediate large jump in income projected by the program, and the ability to amortize the debt, were both contingent upon the timely coming into service of the irrigation works. One way of unlocking the program from its complete dependence on irrigation construction timing would have been to employ the coop members as workers on the irrigation systems. In a few cases, this was actually done. In this way, coop members could have been paid out of the credits for the irrigation works, rather than from an additional short term credit for crop cultivation. They would not have needed as much crop credit until after the irrigation was in place because, under this approach, they could have supplemented their farm income with employment by the irrigation contractor. A good part of their income during this transitional period would not have been dependent on the vagaries of weather and contractor construction schedules.

Another way of unhinging the program from its dependence on the irrigation works would have been to decentralize considerably their design and execution—as suggested above for other reasons. The approach that was actually taken was better only in theory, because the institutional problems of delays in execution involved substantial unanticipated costs. Designing and working on simple irrigation projects might have been an important first step in getting these coops going.

In a study of community action projects, as mentioned above, it was shown that successful community organizations almost always started their careers with infrastructure projects, moving on through a series of increasingly more complex tasks, among which the most difficult were credit unions and cooperatives. Most of the unsuccessful organizations in the study, moreover, had embarked immediately on one of the more difficult tasks without having had the benefit of first doing an infrastructure project together. This does not mean that a cooperative cannot succeed without working first on an infrastructure project. But it shows the importance of an evolutionary approach to the implantation of small farmer organizations. Tasks and functions can be determined not only by program objectives, but by the value these tasks have in making the organization viable. Instead of asking how coops

can be created so as to serve small farmers, as is normal in the projecting of coop programs, it is just as important to ask what kinds of tasks will help create viable organizations. With this evolutionary view of small farmer organizations, tasks and functions can be looked at as not necessarily having to be permanent or serve program objectives. After an organization gets a good start, the initial tasks may be discarded for more complex ones, closer to a program's original goals.

The water user organizations are evidence that peasant groups can construct and maintain small irrigation systems with a level of organization much less complex and demanding than cooperatives. If the PPEA had allowed for more peasant participation in its irrigation projects, perhaps its coops would have gotten off to a better start. Such involvement might have given them a chance to experience a little more group growth before taking on the more complex tasks of credit operations and communal plots; it would have introduced them to the traditional banking system at a later time, when forces outside their control were not as likely to disrupt their repayment records; and it would have turned the irrigation experience into something delivered from the outside to something they accomplished themselves.

A decentralized approach to PPEA irrigation may have been unfeasible because of a felt need to take quick advantage of a

temporarily favorable political climate for small rice farmers. The problematic experience of some of the project's coops with irrigation, however, should not be lost in the search for ways to promote successful coop organizations. Irrigation can be a valuable asset to small farmer programs, if it is properly hitched to the development of their organizations.

The Improved Rural Life Project (IRL) now being undertaken by the AID mission in Ecuador is particularly relevant to the above discussion. Involving the undertaking of small infrastructure projects by the PPEA and other coops, as described above, it represents the reverse sequence of cooperative tasks that was reported above as optimal. Small infrastructure projects, that is, are good first tasks. In the IRL case, they are following rather than preceding the more difficult tasks of coop organization, communal production, and credit operations. This sequence, of course, was not planned this way from the start. But it may not be too late to reverse it in some cases--that is, to undertake some of these IRL projects with new rather than proven PPEA coops, postponing the usual PPEA activities for later.[2a]

Unfortunately, there is no sign in the IRL proposal that the small infrastructure projects are going to involve substantial coop input into design and execution. In that some of these projects are of the type that lend themselves well to local decisionmaking,

[2a] The mission states that the IRL now plans several projects with new groups. The mission also points out that the theory of IRL was to provide already established cooperatives, which had risen above the subsistence level, with some incentive to improve their life style. The Project Agreement states that all projects should have a heavy element of self-help and local planning input.

the benefits of such participation in organization-building are being forfeited. As planned, moreover, these projects will be subject to the same kinds of unanticipated costs, delays and resentments as were the irrigation projects. If slightly modified, the IRL program could represent an opportunity to improve on past experience, and to give small farm organizations a better handle on survival.

Impermanent Groups, the Desire for Land, and Agrarian Reform

Like water, the desire for land is another compelling force around which small farmers will organize. This motivation is particularly important today because the agrarian reform agency has been more receptive, since 1972, to land claims of peasant groups rather than individuals. Before 1972, many peasants believed that the only way to acquire land was to petition as a group. Though this was not true in theory, it was close to reality in terms of the chances for a single peasant to shepherd a land claim through the requisite bureaucracies on his own. The centripetal force of the desire for land in forming small farmer groups was complemented, in many cases, by the existence of natural physical and social units: the single property being parceled and the ties of the ex-tenants with each other through their mutual association with the hacienda. Here was another case where adversity helped to cement group bonds and forge group experience; hacienda occupants were often united in their dislike for the owner, or for the system of exploitation of which he was a part.

Groups with these origins had natural limits imposed to a certain extent on their membership and acreage. They could not grow larger than the number of farm families comfortably accommodated on the ex-hacienda, so that growth in size was not a relevant goal. Many of the coops associated with AID-financed institutions got

their start this way--particularly those of the PPEA, FENACOOPARR and FECOPAM. These coops were typically small, with from 15 to 20 members, and stayed that way. Their land-acquisition origins enforced a certain smallness on them, just as small irrigation systems set limits on size. If smallness was a benefit for young peasant organizations, as argued above, then the enforced smallness of the land-acquisition coops may have been a blessing in disguise. Though blessed with smallness, these land acquisition coops were by no means largely successful. Though it is too early to tell with FENACOOPARR and PPEA coops, those of FECOPAM have had only limited success.

AID documentation on its coop projects often berates the land acquisition motive as detrimental to the organization. Members are said to join the coop "just to get land," drop out if they don't get it and even after they do get it. "All they cared about was the land and not the coop," was a common complaint. Though the land-based coops may have been disappointing in their post-acquisition phase, this should not obscure the fact that they represent a significant accomplishment. The role of voluntary groups in land reform is particularly important in a country where commitment to such reform is ambivalent.

The spontaneous growth of land-seeking groups in Ecuador may have been crucial in bringing about a good share of the

redistribution that took place during the period, since the political commitment to agrarian reform was not profound or longlasting. The laws were on the books, but the facilitating machinery did not work, as has been the case in many countries. In this type of situation, land transfer does not occur unless there are groups powerful and clever enough to assert their legal claims, and keep those claims from dying a bureaucratic death. It is as if the halfway nature of the implementing legislation is a statement by the government to interested groups that it is doing the most it can do in face of opposition from powerful groups--and that the rest of the power must come from the land claimants themselves. The legislation is there, in somewhat imperfect form, for those who have the power, the money and the patience to see through a claim. On these grounds, of course, most peasants could not qualify. But the forming of groups helped capacitate them to push their claims through, or at least to make a try at it. In a sense this is a case where the grassroots approach to development was actually true: the "goods" were there for the asking, and organizing into groups was the only effective way of exerting claim to them.

Many peasants saw coop promoters as representing potential access to the institutions with authority over land distribution. Whether the coop technician was an agronomist, doctor, lawyer or priest, he represented an opportunity for touch with the centers of

power. This relationship might be criticized as a continuation of the patron-peon relationship, rather than an authentic coming together of oppressed groups fighting for gains from a position of adversary strength. But perhaps the more traditional relationshi was the only alternative in a society where commitment to income redistribution was half-hearted and there was little tradition of vigorous peasant group action.

In retrospect, it can be argued that the combination of inadequate agrarian legislation and land-seeking group formation led to unfulfilled expectations and strong resulting pressures for better reform legislation. The new land-seeking groups represented a political force to be reckoned with, and could thus tilt the political balance in favor of better agrarian reform. Both the land invasions of the 1960s in the Guayas basin and the rice coops organized by AID may have individually played just such a role.[1] Land acquisition was a central feature of the AID activities, though emphasis was more on group purchase of the land than on acquisition through expropriation. But the organizing success of this program, and its contribution to the heightening of aspirations

---

[1]The role of unfulfilled expectations created by inadequate execution of agrarian reform is suggested in Alfonso Avilés Mora, "Estrutura de la Tenencia de la Tierra en Áreas Arroceras," AID/E files (July 1968); and Charles E. Blankstein and Clarence Zuvekas, Jr., "Agrarian Reform in Ecuador," Economic Development and Cultural Change (22 October 1973), p. 84.

for land acquisition, were probably an element in the existing climate of peasant unrest. This unrest, in turn, was an important factor in bringing about Decree 1001 of 1971, considered the most effective agrarian reform legislation in Ecuador, as described in the last section.

The significance of the land acquisition experience with coops was not that the peasant didn't care about the coop as soon as he got his land. Rather, the desire for land had led to the organization of groups which, though sometimes temporary, made possible the distribution of land to landless peasants. This was certainly as important a goal of AID's programs in Ecuador, if not more so, than the building of permanent cooperative organizations. Yet the land acquisition motive was usually portrayed in a negative light. Why?

Coops had been used as instruments, in the stories told above, to achieve the once-for-all goal of land acquisition. Though this achievement had been made through organizing, however, it could be held onto <u>without</u> the organization; you didn't need the coop to keep your land, even if the title was held by the coop. Yet coops had always been presented in AID programs as ends in themselves, even though they were really means to economic betterment. One of the reasons they came to be considered as ends was that they were usually associated with ongoing functions like

marketing or credit, which would cease to exist if the coop did.

Economic betterment was assumed to be inextricably bound up with the coop's ongoing existence. Though AID coop programs always projected the ending of AID budget support to federations, they never suggested that there might be an ending of the coop itself; though the federation was expected to become self sufficient, the coop member as an individual was not. Yet if a coop empowers people with access to the system, that empowerment will one day enable members, in many cases, to be on their own. Some types of access, that is, will be once for all: the acquisition of land, for example, or acceptance at a banking institution as a good credit risk.[2]

If coops had had a hard time after land acquisition, it was not because peasants proved themselves uncooperative. It was that the desire for land had been mistaken for the cooperative spirit; it was not recognized that some peasants had always looked

---

[2]The suggestion that coops could be considered as temporary organizations in some cases, has also been made by Raymond Apthorpe and Guy Hunter in studies of Africa. Apthorpe says that a coop might or might not be a useful organization for initial mobilization or takeoff purposes. It does not necessarily follow from this, he says, that it is equally fit for the continuation of a movement, once takeoff has been achieved. Hunter says that by raising incomes, knowledge and capital reserves, the coops as a starting mechanism may bring producers to the point where they can get better service through commercial channels. Apthorpe quote from United Nations Research Institute for Social Development, Rural Cooperatives and Planned Change in Africa: An Analytical Overview, by Raymond Apthorpe, Vol. V of Rural Institutions and Planned Change (Geneva: United Nations, 1972), p. 17. Hunter from Modernizing Peasant Societies: A Comparative Study of Asia and Africa (London: Oxford University Press, 1969), p. 158, as cited in Apthorpe.

at the coop as a means to gain land and not as an end in itself. The preference patterns of peasants, in short, had been ignored in planning for them.

In most countries in which AID operates, agrarian reform commitments do not maintain constant levels through time, but occur in bursts. At times, discontent over landholding structures and rural poverty evokes government action and commitment of resources. As soon as this step has been taken, the groups whose interests are threatened begin their attempt to undo the action, or gum up its execution. Few governments that are less than revolutionary are able to withstand this kind of political opposition; even without such opposition, few governments can maintain power and commitment long enough to carry through such a program as it is usually projected. Thus even with a level of opposition no greater than that at the moment of initial action, a government has a hard time settling down to a businesslike pace of agrarian reform without having things come undone.

The phase of land acquisition is a much easier one for the government when compared to after acquisition. In the former, the land claimants can be relied upon to do most of the pressuring that will help make the land transfer work; in the latter stage, the government must provide substantial resources and technical assistance, not just legislative backing and access to bureaucracy.

The latter stage, then, requires a more comprehensive, pervasive kind of support than the first. The distinctness of these two stages of agrarian reform needs to be better appreciated in the evaluation and design of assistance programs. Post-acquisition doldrums need to be recognized as a natural state.

When coops are looked upon as means in the kind of setting described above, alternative approaches become apparent. Small farmer organizing could be assisted to facilitate land acquisition and to unleash the political potential of a dormant agrarian reform statute. Once a cooperating group achieved its aim, assistance policy could move to a second phase where access to public services and credit would be made available to individuals as well as groups. Those groups that had the momentum and strength to continue would have the incentive to do so; those that did not would not be abandoned, and their ex-members would be able, as individuals, to consolidate their gains. In this approach, coops or other organizations would be only one part of a program to bring about the transition of a group of people from landlessness to self sufficient landholding. If the coop could be seen as a means toward land acquisition, rather than as an outcome of the desire for land, it could be a more potent instrument of economic betterment than it is now. As long as land acquisition motives are considered a drag on coop development, this potential can never be realized.

One result of planning coops without long life expectancies is that the cooperative form of organization will not always be the appropriate one. It cannot be overemphasized how alien and difficult a form of organization the cooperative is to impose on peasant society; it is justified only if the goals to be achieved can best be met with this organizational form. Coop organization is difficult enough in itself that it can become an obstacle to obtaining land. Spontaneous and temporary groupings to achieve a limited and immediate objective, however, are not uncommon among peasant farmers. Supporting land acquisition desires in simpler organizational forms, then, could result in more successful and comprehensive outcomes.

Shifting assistance gears from a group to an individual basis after land acquisition, it is argued, flies in the face of economic reasoning. The cooperative is often presented as the only economic way to service an agrarian reform. To disaggregate tasks from a group to an individual level would require such an increase in resources and personnel that post-reform assistance would be unfeasible. There are scale economies, in short, in the servicing of new peasant landholders.

This argument neglects the fact that coop-based services are rarely forthcoming after an agrarian reform; it assumes a level to support to coops that almost never materializes. There is

nothing sadder, for example, than a visit to many of the post-land-acquisition coops in the highlands of Ecuador. They are almost abandoned by the public institutions that were to attend to their growth; some receive token visits from agricultural extension agents. Most notable, they seem tied up in problems caused by lack of cooperation, absence of knowledge about how to run a cooperative, and inability to enforce the principle of equal benefits and equal charges on members. It is as if their cooperative had become a burden to them, rather than an investment in self sufficiency.

Two or three post-acquisition coops I visited were charging their members a flat fee for cattle pasturage, rather than a fee per head of cattle pastured. There was a great disparity among the number of head per member, so that the better-off members were being subsidized, in effect, by those with less. I often encountered a similarly regressive type of fee schedule for rental of coop machinery to members: each person was charged a flat fee "per usage," regardless of the number of hours used. When the extensionist I was with explained the importance of fee-per-unit charges, the coop members were surprised to hear of this "new" idea; and they were pessimistic about the possibility of enforcing it among the better-off members. (The extensionist had never assisted production coops and was a visitor at these coops.)

Grouping people is supposed to be the best organizational

form through which to service an agrarian reform. But the organizational form itself is in need of constant and considerable attention--as shown in the above examples--a level of assistance that is usually not forthcoming. One is faced, then, with two problems. First, the coop does not have as significant economies for public servicing as is assumed, since the organizational form itself requires a substantial dose of public attention. Second, the public sector is not likely to come up with the resources implied in this model of post-land-acquisition coop growth.

Assistance strategies should try to mold themselves to the short-termness of agrarian reform commitments. This approach would try to exploit the intensity of commitment during the "honeymoon period" immediately following land acquisition. It would minimize the dependence of the program on future support, when interest is likely to fall off. The combination of grouping for land acquisition, followed by intense assistance to new landholders for gaining access to credit, inputs and marketing, might fit better the typical time stream of commitments to agrarian reform.

The PPEA program, interestingly, comes close to the kind of strategy I suggest. Combined with the prior organizing activity of the AID rice coop program, the PPEA represents the concentration in time of assistance in the acquisition of land <u>and</u> economic viability, the latter through the introduction of irrigation. In

contrast to my suggestion here, however, the coop form is being as rigorously pursued in the post-acquisition phase as it was before. It is as if the design of the PPEA, and its marked contrast to past AID coop projects, reflects a new recognition of the probable time profile of commitment to small rice farmers; the extreme reliance on coops, however, makes this recognition seem only partial. (There is already a small sign of time running out on political commitment to this project. As mentioned above, government commitment to the rice tenants forced the state development bank to grant infrastructure credit to coops whose land title was unsettled. The bank has now decided to terminate this exception, apparently without reaction from the government that forced it to make the exception in the first place.)

By considering land acquisition desires as subordinate to coop development, AID coop programs may be missing two important opportunities. They are not taking full advantage of the propensity of peasants to group in pursuing the land transfer goal; and they are not taking advantage of the short term intensity of most political commitments to agrarian reform. The two opportunities, moreover, can be highly interdependent: the more successful land acquisition groups there are, the greater intensity of political commitment they may evoke.

I have no preference for the strategy I suggest here--

grouping before acquisition and de-grouped assistance after. There may be much better approaches to the profile of commitment I describe. I propose this sequence more as a way of illustrating the importance of anticipating the nature and duration of a commitment to reform. Implicit in most agrarian reform and cooperative programs is the assumption that the commitment will be undying. It is important to recognize that the assumption doesn't fit.

The Credit Union vs. the Agricultural Cooperative

The story of credit unions in Ecuador can also be described as a case of limitation in purpose or function. The credit union is a more modest approach to problems than an agricultural production or marketing cooperative. It may demand more in terms of resources, but it requires less in terms of organizational behavior. In its pristine form, the credit union promises no more than to provide credit to those who had no access to it previously--or to provide easier access to those already receiving it. The credit union asks no sacrifices of members in the name of the cooperative spirit; it just hits them with a direct charge--forced savings. These limited objectives of the credit union, in comparison to the agricultural coop, can also be looked at as symptomatic of insignificance with respect to social change. These criticisms are taken up in the next section.

The agricultural production or marketing coop promises much more for the small farmer's future than does the credit union. But agricultural coops are, at the same time, more bound up with the work lives of their members than are credit unions, so that social and economic inequalities between membership and managers are more dysfunctional than in the case of credit unions. Cooperative production and marketing involves intimate participation of the member in the "production" of the benefit in a way that the

credit union does not. Credit, after all, is like something you can get at a store, if it is offered to you. Thus the credit union had two things going for it over the agricultural coop in the Ecuadorean setting. It was a less demanding organizational form, requiring only cash as the price of its benefits and not cooperative behavior. And it did not need as much social and economic homogeneity between membership and administration in order to assure equitable delivery of its benefits, in contrast to the agricultural coop.

Despite its rhetoric to the contrary, the credit union was no brave new institutional form. It could fall back on existing local power structures for its manager-member relations, even though its objective of access to credit, if achieved, could represent a significant structural change in the economic life of the peasants. Credit unions worked because they empowered local elites in a way that made it to their interest to channel benefits to small farmers. Actually, if the real grassroots democracy projected in credit union propaganda had been achieved, the system would probably not have functioned as well as it did; it would have required the training of farmer members in organizational skills beyond their competence and interest. Perhaps this explains the failure of the "directed" aspects of the DAPC. A common reason given by managers for non-participation of credit unions in the program, after all, was that it involved too much paperwork and management.

That the credit union had it so easy in comparison to the agricultural coop was compensated for, of course, by the former system's inability to reach those who were too poor to save and pay membership fees and capital subscriptions. But this may have been one of the few alternatives available in a country where political commitment was not strong enough to give sufficient support to the more difficult agricultural coop form--where there was no commitment to try ways other than agricultural coops to bring about basic structural changes. Credit changes did not have to rely as much as did agricultural coops on political commitment to change, and in this sense, the critics were right. Credit unions <u>were</u> a cop-out. That's why they worked.

The experience with credit unions, and also CREA, showed that the well worn and less ambitious organizational forms, which brought together peasants and elites in traditional ways, had some advantages. These forms worked because they fit in with existing institutions. They provided access to these institutions for their beneficiaries without requiring that the other institutions support programs of major structural change. The agricultural coops, in contrast, were more dependent on internal homogeneity for their success, rather than just access to outside institutions. They took strength from adversity to the outside world, rather than relatedness. As a result, internal cohesivensss was more crucial

to their survival than to the more traditional forms. The greater importance of group comity and cohesiveness, and the greater complexity of organizational skills, set the agricultural coops up for more difficult going than the credit unions.

It is important not to take this contrast between agricultural coops and credit unions as an argument in favor of the latter. In a political environment more favorable to agricultural coops than was Ecuador during most of the period under discussion, a choice of credit unions over coops might have yielded significantly lower benefits. The rice coop program is a perfect example. In retrospect, cooperative organization among rice tenant farmers in the Guayas basin was a good gamble in the late 1960s. Land tenure problems provided a strong focal point for group solidarity and adversity to outside institutions. Various circumstances, described in the final section, made for a high probability of political receptiveness to any agricultural coop group taking an adversary stance. At that point, it would have been folly to engage in the less politically demanding credit union approach, when the odds were so good for the higher stakes. The AID mission was perceptive in choosing an approach that fit so well the opportunities of the moment.

The purpose of my comparison of agricultural coops to credit unions is to point out that an AID decision to support either

form should be based on evaluation of the ability of that approach to work at the moment and in the environment for which it is planned. The decision to support credit unions rather than agricultural coops should be recognized as a decision to use a particular organizational design for introducing small farmer credit, not grassroots democracy or agricultural change. At the same time, however, the choice of credit unions may be a judgment that the political and social environment is not up to full support of agricultural coops. This judgment in itself should enter into the decision as to whether or not a country should receive assistance.

Credit Union Elites

The credit union approach to peasant agriculture has been criticized as having diffused the potential for peasant political action. Credit unions, like cooperatives, are said to have co-opted peasant leaders who might otherwise have associated themselves with class-based peasant activities; these activities, it is argued, might have been able to bring about significant structural reform in the countryside. In this view, rural credit unions and cooperatives are portrayed as deliberate moves by established interests to stave off agrarian change.[1] A milder and more widespread version of this criticism is that credit unions, whether intentionally or not, have turned out to be mere reflections of existing local power structures.[2] Their so-called democracy, it is said, is a paper one. This latter type of criticism holds considerable truth. It helps explain credit union achievements, however, as well as shortcomings. That is, even though there was a dichotomy of interests between urban and rural members, this dichotomy also contributed to the ability of the system to function at all in

---

[1] E.g., see Ernest Feder, "Counterreform," in Agrarian Problems and Peasant Movements in Latin America, ed. Rodolfo Stavenhagen (Garden City, N.Y.: Doubleday Anchor Books, 1970), pp. 173-224.

[2] E.g., see Orlando Fals Borda, "Un Caso Trascendental de Colonialismo Intelectual: la Política Cooperativa en América," in Ciencia Propria y Colonialismo Intelectual, by the author (Mexico, D.F.: Editorial Nuestro Tiempo, 1970), pp. 101-133.

the rural sector.

Farmers were not interested in participating in credit unions or holding positions in them. What they wanted was credit, with as little demand made on their time as possible. The Keeler evaluation noted that farmers receiving DAPC credit were not those who were "most active" or "involved with the cooperative."[3] Davis pointed out that farmers tended to participate less in credit union activities because of the distances of their dwelling from the credit union.[4] And an SRI study expressed concern that rural credit unions were giving rise to a "new class of members...who are less likely to participate actively in cooperative affairs" because of their background and distance from the credit union office. These members, it was feared, might tend to think "in terms of being recipients at the expense of being contributors."[5] But being recipients rather than contributors may have been just what the farmers wanted, as discussed further below. The virtue of the credit union that farmer members cited most to me, for example, was that it involved a much smaller expenditure of their time than

---

[3]Keeler, "Evaluation of DAPC," p. 44.

[4]Davis, "Study of a Pilot Project," p. 80.

[5]Stanford Research Institute, "Study of USAID Title IX Programs," by Albert Post, p. 68, as cited in Davis, p. 80.

taking out a loan at the BNF.[6] Even if farmers had wanted to participate in credit union management, finally, many were excluded by the very nature of the job and its involvement with written records. Participation in credit union management, then, fell to the townspeople--storekeepers, merchants, doctors, lawyers, priests, teachers, or a larger farmer. This was the case for almost all the DAPC credit unions.[7] The latter types were more inclined for the task and its prestige had more meaning for them. (FECOAC, by the way, did not sit by idly at this bifurcation of farmer and townsperson roles; it conducted management training programs and was proud of the few success stories it could tell of illiterate farmers trained to managerdom.)

The town side of the rural credit union was also complementary with the organizational rhythms determined by the agricultural production cycle. The agricultural cycle bunched

---

[6] Davis (p. 126) made the following comparison in 1969 between time spent getting credit at the credit union vs. other sources:

	Avg. no. of visits to secure a loan		Time lapse between loan request and receipt of credit (avg. no. days)	
	Highlands	Coast	Highlands	Coast
Credit union	2.1	2.1	23.6	13.4
Bank	4.3	2.4	36.1	60.0
Non-institutional	2.3	2.1	-	-

[7] DAI, "Rural Development Projects," Vol. II, p. I-14.

farmer demands for credit during one or two periods of the year. This not only left considerable periods of slack in demands for credit, but it involved considerable periods of farmer disinterest in the organization. It was difficult to keep a small local organization in running order with such infrequent and intense activity peaks. An admixture of town members filled up the troughs between these peaks, and provided the organization with a more steady flow of member interest. Town members could be counted on to make monthly payments of savings and amortization, in contrast to the bi-annual or annual payments of farmer members. The work lives of town members did not have as intense seasonal peaks as those of the farmers, and hence they could tend their management tasks more consistently. Of course, the farmer's credit needs could have been satisfied by an organization that was inactive between peaks. But the organization's ability to be there during the peaks was dependent on some kind of permanent existence.

Rural members often perceived the association with town members as advantageous. The credit union movement is usually thought of as having originated in town environments, spreading later to the countryside as the result of various pressures and incentives. Some of the more successful credit unions with a high percentage of small farmer lending, however, had rural origins. The Carchi credit union, located in the provincial capital of Tulcán,

had its origins in three or four credit unions founded by local priests in complete countryside. At one point in their evolution, these unions felt that they could gain power only by moving to the city, merging with each other, and drawing in townspeople. The Pedro Moncayo credit union in the province of Pichincha had a similar evolution. It started as an agglomeration of six neighboring rural groups made up of small farmers and organized by a local priest. When farmers found their savings insufficient to meet their credit needs, they decided to recruit urban members.[8] Thus though the credit union concept was urban in design, it sometimes started in the countryside in a highly paternalistic setting, and ended up seeking town involvement as a way to grow.

The rural unions sought out townspeople in order to "exploit" their power and resources. This was one of the most important aspects of the town-farmer mixture and of the criticized replication of prevailing patron-peon social structures in credit unions. The town management of the credit union supplied the small farmer with a "patron" who had access to otherwise unreachable persons and institutions. The town-rural relationship of the credit union, however, did not involve the typical degree of exploitation between patron and peon. Beneficial agricultural

---

[8]DAI, "Rural Development Projects," p. I-23.

change, in fact, may often involve the substitution of "new patrons for old."[9] The continuity in the form of relationships does not always imply the absence of change in social and economic structures. After the agrarian reform in Bolivia, for example, new peasant landholders ended up in patron-client relationships patterned along those between landlord and peon in pre-reform days. But the new ties were with other elites--mainly, agricultural middlemen and the leadership of the peasant syndicates. The sameness of the relationship, however, was not as important as the differentness of what it led to. Material benefits and structural change for peasants, in short, could take place within old social forms and with a new cast of patrons. Sometimes the patrons were not even new ones; the middlemen were often ex-landholders. In this new position, however, they did not have the total power over the client's life that they had in the landlord-peon relationship.

The credit union was a somewhat similar, but not as sweeping, case of new patrons. Rural credit unions in Ecuador were often located in small, isolated places, many of them marked by an almost egalitarian distribution of poverty. This distribution was determined to a certain extent by the excessive parcelization

---

[9]Dwight B. Heath, "New Patrons for Old: Changing Patron-Client Relationships in the Bolivian Yungas," Ethnology 12 (January 1973), pp. 75-98. This paragraph is a paraphrase of Heath's article.

of land into minifundios in some highland regions. Thus the land size distribution, if not income, sometimes looked less unequal than in many parts of Latin America. Smalltown elites often had only small landholdings too, and in many cases their additional income came from businesses unrelated to the land. Unlike the traditional feudal relationship, the patron-client nexus between credit union manager and farmer-borrower was not through the land.

The credit union elites were much smaller fry than one could find among the professionals of an official credit institution like the Coop Bank. Their location in little population pockets throughout the countryside meant that their "clients" were much humbler than the clientele of a branch bank manager or rural credit manager in a capital city. The larger and more centralized the institution, the more its clients were themselves likely to be elites in their own communities. Though they might be "the poor" in the eyes of the centralized institution's elite, they were "the rich" in their own towns. The credit union, in contrast, was so inconsequential an institution and located in such small communities, that there was no one else down the line to do favors for but the poor.

It was to the interest of the elites of small rural communities and to their prestige in the town, to intercede with a bogged-down case in the agrarian reform agency, to talk a

reluctant landowner into selling on easy terms to a group of peasants, to put in a good word with a capital-city decisionmaker in the Coop Bank, or to convince a local BNF manager to lend to some peasants without land title. When the locus of a credit program was moved from the capital city to this smallest of geopolitical units, the typical elite system of credit allocation somehow worked out in favor of the small farmer instead of, as in more centralized institutions, against him.

The importance of the credit union, then, was not only that it distributed credit to small farmers. It also gave local elites the position and the incentive to act as brokers for these farmers. One credit union manager lamented the fact that the rank and file were peasant and the leadership from the town. "The peasants still have to learn to be less submissive," he said. "They always vote for 'the doctor' instead of electing one of their own."

"Don't kid yourself," answered an agronomist. "They vote for the townspeople because they know they can get things out of them!"

Thus the credit union movement was not that revolutionary, just as its critics had said. But credit isn't that revolutionary a thing, though perhaps it ought to be considered so. Credit unions promised only credit—not an end to feudal landlording or exploitative

intermediaries. Credit did not cause peasants to form groups and fight for their rights, like land and working conditions did. Potential peasant leaders interested in basic structural change would not be particularly drawn to credit groups in the first place. The success of the credit unions, then, is a result of their very lack of social change: they gave decisionmaking and resource-allocating powers to local elites who already had power but never had this particular kind of resource with which to wield it. The peculiar nature of the credit union achievement has perhaps been obscured by the criticism of paternalism, as well as by the promoters of credit union projects themselves. By talking up democracy and community organization, the credit union promoters have played right into their critics' hands. "Democracy," as shown above, is not an accurate portrayal of the way these institutions work, especially the rural ones.

The achievement of the credit union program was that it facilitated a highly decentralized disbursing of credit to small farmers by placing organizational power in the hands of local, instead of centralized, elites. The question is not one of an egalitarian vs. an elite <u>local</u> organization, but a centralized vs. a decentralized infrastructure for disbursing credit. If democracy characterized this system, it described the procedure by which local elites, rather than more distant ones, were accorded power. The

decentralized and locally elitist nature of this system also provided peasant farmers with links to previously inaccessible power structures--banks, legal authorities, agrarian reform institutions, agricultural service institutions. These credit union achievements are not inconsistent with the criticisms of credit unions cited above. They simply fall somewhere in the cracks between the claims of the program's supporters and the accusations of its critics.

The Organization as Broker

Just as in the case of the local credit union, coop federations or coop-sponsoring organizations also could play the role of intermediary or broker between the coop farmers of the countryside and the more sophisticated larger organizations of the public and private sectors. When coop members were at a loss as to how to resolve a land transfer or titling problem, caught in the bureaucratic maze of the titling agency, the coop organization could show the way or put in a good word. When a coop wanted credit, but was not worldly wise enough to approach a large credit institution, the sponsoring organization could pave the way. CREA, as shown above, could get food processing firms together with small coops seeking a market outlet.

In a society where access to large urban institutions is difficult for poor and faraway people, and is often based on privilege rather than right, this brokerage function is an extremely important one. In Brazil, the function has actually been taken over by the private sector, institutionalized in the form of a "despachante" who is a broker-of-all-trades--land titles, passports, drivers licenses, insurance claims, customs fees. In that most poor people cannot afford to hire a despachante, the bureaucracies dispensing these services are still beyond their reach. To the

extent that coop-servicing organizations can be a "despachante" for coops and their members, they are creating a more equal distribution of such access. They provide a surrogate for the access gained through personal connections and financial power by the better-off members of society.

In playing the intermediary role, the newly created coop federations did not always have the relations with established power structures that an entrenched regional development agency like CREA had. All the federations, moreover, were patterned after the U.S. model of maintaining maximum distance from the public sector. Government support, particularly financial, was seen as involving the cost of political interference. The other side of the coin of avoiding dangerous liaisons with the public sector, however, was a lack of the kind of power that CREA had to wheel and deal for its coops.

The powers of coop-sponsoring organizations to be brokers, of course, was not always a result of closeness to government. One of FENACOOPARR's most important achievements, for example, was its intermediation for the rice tenant farmers with the landlords and the agrarian reform agency. In that this particular case of intermediation involved an adversary stance, it may have been to the rice farmers' advantage that FENACOOPARR was new, and without a history of [illegible]

Without government closeness, the federation was perhaps less likely to be co-opted by the government, less likely to be induced away from its adversary role.

CREA provides another example of intermediation. Left over from its original focus on marketing were the arrangements CREA had intermediated with food processing firms, as discussed above. CREA's assumption of marketing intermediation allowed coops access to marketing benefits in a way that placed much less demand on their organizational and cooperative capacities. They did not have to commit themselves to organize the marketing themselves, nor worry about making sure that all members sold through the coop. Through CREA and the coop, farmers were polled about how much they might want to sell and at what price. Information was conveyed, credit was channeled, and transport was arranged. Each individual made his own decision and knew what the price would be.

In that these purchase agreements were made for only one harvest at a time, individuals had the option of not participating the next time around if they were dissatisfied with the firm's price in comparison with others. In the case of wheat, for example, some coop farmers chose not to contract with the wheat mill in 1974 because of their dissatisfaction with the prices being offered, and their ability to sell at higher prices elsewhere. This annual renewal of the contracts created some pressure on the companies to

offer competitive prices. The intermediation of CREA, then, made it possible for the coops to organize around marketing in a more passive way than that required by marketing coops. Indeed, this CREA-intermediated marketing activity may turn out to be a facilitating first step toward coop-directed marketing activity.

Most of the processing firms interested in CREA's coops were located in or near the coastal city of Guayaquil. The supplying coops were dispersed throughout the three provinces of CREA's jurisdiction, and many were of difficult and time-consuming access, usually without telephone or telegraph communication. In their periodic visits to coops, CREA's agents came to serve also as messengers between the companies and the coops; they conveyed information on quantities desired, prices offered and desired delivery dates, often with considerably close timing. On my trip to the eastern province of Morona Santiago, two coop managers were asked if they could mobilize 150 boxes of naranjilla for delivery four days hence; by our return trip the next day, they had an answer. CREA's advisory visits to its coops, then, created a communications network without which an ongoing marketing relationship with the processing firms might not have been possible.

In a sense, of course, CREA was providing free marketing services to the private companies, who normally would finance such activities themselves. The fact that the private firms seemed to

be initiating the contact with CREA, as much as vice versa, was good evidence that CREA's free marketing services were of value to them. In the absence of CREA, however, these firms might not have considered it worthwhile to finance their own marketing agents in the region, because of the dispersion of the coops, their difficult access, and their small size. By providing free marketing-agent services, then, CREA may have been making it possible for a market to exist in the first place. A possible external benefit of CREA's action would be the future establishment by the same private firms of marketing agents throughout the coop region, which would benefit nonmembers as well. Though CREA may have been inadvertently subsidizing the private firm's purchase activities, then, it was at the same time subsidizing the creation of more favorable marketing outlets for its coops.

Eventually, CREA might want to charge the private companies for its marketing services, channeling the revenue to its coops. Indeed, because it has had this initial success at marketing intermediation, it might extend these services to all small farmers, not just those organized in coops. Since CREA's parallel work in community development brings it into contact with all stages of group formation, such an extension of its marketing activity might not be as difficult as in another organization.

CREA has sometimes been criticized as an establishment

institution, closely bound to the conservative and elite tradition of that region, an institution that would never be found on the side of disruptive social change. Its relationship to coops is considered paternalistic by these critics, and its marketing intermediation as philanthropic activity. My description of CREA's achievements does not contradict this view. It shows, rather, that an institution with establishment connections was in a good position to intermediate contracts between big companies and little farmers. These linkings might not have been achieved, or developed as spontaneously, in a less connected institution.

Like the credit unions, CREA played an important and somewhat unanticipated brokerage role. In both cases, intermediation was not seen as a goal or achievement of the project. Credit unions were supposed to promote democratic cooperativism, which was inconsistent with intermediation based on local elite control and their connections. With respect to CREA and the marketing coops, intermediation was not a project goal because it would have been unnecessary if the original approach had been successful; CREA's intermediation probably seemed a paltry achievement in comparison to those anticipated for the program. Both strong marketing coops and credit union democracy were unrealistic goals in the Ecuadorean setting.

In the credit union case, decentralized credit allocation

was more effective than the usually more centralized design of the typical small farmer credit program. Substantial intermediation benefits to the small farmer, in short, were found to accrue from decreasing the size of the decisionmaking unit. In the case of CREA and marketing, these benefits were found to accrue from increasing the scale of the decisionmaking unit.

An important final contrast in the CREA-credit union comparison is the role of the credit union federation, FECOAC. FECOAC was the analogue to CREA in the organizational hierarchy of the two projects, but it is almost left out of the discussion of the intermediation roles of the two projects. FECOAC played an intermediation role in areas outside those discussed here--mainly in providing its unions with organizational assistance, extension agents, and access to outside sources of credit. But FECOAC couldn't hold a candle in intermediation to its individual credit unions or to CREA, for it was not an organization with strong public sector connections in its home, the capital city of Ecuador. Proud of its apartness from this institutional world, as mentioned above, it could not play the intermediation role at the national level that CREA could in its regional home. FECOAC could not, for example, obtain a central policy decision from the development bank to lend to credit union members for agriculture, though it convinced the manager of one BNF branch to do so. Some individual unions had

been able to get such favorable treatment, however, on the basis of good personal relationships between the credit union manager or president and the local BNF manager. As another example, FECOAC laid low on the issue of paying good interest on savings deposits, probably an indication of its inability to take on successfully the relevant public sector institution. Of course FECOAC's apartness had its advantages, but it did go against the grain of supplying the intermediation benefits that CREA and the individual unions could.

Exclusion and External Benefits

In previous sections, various attributes of cooperatives were characterized as advantageous: smallness, adversity to other groups, limited goals, traditional patron-client relationships, inter-group rivalry, natural limits to growth in membership. Together, these attributes run contrary to the main justifications by AID and its coop contractors for cooperative programs: democracy, economies of scale, and significant coverage of the target population. All these attributes, that is, add up to organizations that are not particularly democratic, whose benefits do not proliferate naturally among the poor rural population--organizations that thrive on inter-group rivalry rather than association, and that rarely capture their assumed economies of scale. These attributes also raise questions about the advisability of promoting coop federations or other coop associations; to a certain extent, these associations rely for their strength on cooperation between groups and a willingness to financially support the association. Coop associations, in short, may require the suppression of group rivalries that are often associated with healthy coop development.

As coops become stronger, they have a tendency to adopt exclusive measures. FECOAC, for example, has been suggesting to some of its DAPC credit unions that they raise their entrance fee from S/100 to S/1000 in order to weed out inactive members and

discourage new members who were not likely to contribute much. This measure makes perfect sense for an organization that has grown past its promotional stage and wants to start running a taut ship. But it also means that a successful cooperative program may reach less and less into the target population as it becomes more successful.

On the basis of case studies, the United Nations study of cooperative development in Latin America argued that coops are bound to fail when they try to expand a successful operation to more towns and more groups because of the difficulties of managing a larger, more heterogeneous organization. At the same time, however, the coops that remain successful are those that run themselves more and more like businesses rather than coops. They close in on themselves, move toward private entrepreneurial behavior, and aggrandize market power instead of distributing benefits.[1]

I do not insist on this double bind in which there is no possible success for coops. This type of analysis helps demonstrate, however, the inherent contradiction in coop programs between organizational success and AID program success. Organizational success commends the increasing limitation of benefits to select groups; but program success requires maximum coverage of the target

---

[1]UNRISD, Rural Cooperatives in Latin America: Analytic Report.

population. It may be that the net result of AID's coop programs has been unimpressive because they were forced to pursue the two contradictory goals at the same time.

One way to reconcile the contradiction between organizational success and program success would be to posit substantial external economies resulting from cooperative development. Strong coop organizations, even though exclusive, might inadvertently bring benefits to the nonmember population. Examples of such benefits are higher farmgate prices in a region, lower input prices, availability of previously unavailable inputs, and accessibility to new technology. Coop benefits to a region, moreover, could result from the fact that its arrival on the scene differentiates a somewhat monolithic and isolated microeconomy. New public and private institutions might find it economic to service a previously uninteresting region because of the existence of the coop. The coop, in other words, may represent the introduction of a new institution into a locality suffering from fewness of institutions, both private and public; in addition, it may attract more institutions in its wake. Much of the cooperative's external benefit, then, results from its introduction into the environment as an additional and new institution, rather than that it is an institution of a particular type. The benefits external to it result from the increased competition and other activity that its presence creates,

and not necessarily from its cooperative bent.

It was difficult for me to judge the extent of cooperative external benefits in the Ecuadorean case. My impression is that they are not extensive enough to bear the weight of a small farmer development strategy, but more research needs to be done to support any definitive conclusions. As noted above, most coop marketing operations, rather than besting the price of the intermediary, had a hard time being able to meet it and still cover costs. In the one case I visited where the power of a marketing intermediary had been broken--the Sucúa cattle-marketing coop--the coop had replaced the intermediary as the most important buyer in that locality. Though half of the coop's sales were accounted for by purchases from nonmembers, it was not clear whether these nonmembers were better off with the coop as new intermediary. With respect to the technification of agriculture, there is also no clear evidence that coops had any general impact on regions. Reports on FECOAC's agricultural credit program cited above suggest that even when modern inputs were adopted by members, this was usually associated with factors having nothing to do with the program--for example, the promotion campaigns of food processing or input supply firms. Or, the use of modern techniques was a result of long custom.

In one of the most successful of the credit union provinces,

Carchi, technification among small farmers had a tradition much longer than the credit unions. The province had been the subject of promotion campaigns by fertilizer distributors and the Ministry of Agriculture over a thirty year period. There was a tradition among sharecropping landlords, for example, of providing half the fertilizer for potato production. Moreover, Carchi lay on the Colombian border where, given the rates of currency exchange, black market fertilizer could be obtained at much cheaper prices. In Carchi, then, one found the smaller minifundista—whether sharecropper, owner, coop member or not--fertilizing his potato production; likewise, many stopped using fertilizer as a result of the more than doubling of prices for that input in the last year. In that FECOAC's technical assistance never materialized as projected, it may not be the best example on which to make a judgment about the externalities of coop-promoted technification.

The numerous coop stores selling household items and agricultural inputs are also an ambiguous case with respect to external benefits. It is noteworthy that much of their business comes from nonmembers, but they seem to be unable to charge lower prices than previously existing stores. Since coops see these stores as a means of earning revenue for the coop, they are not necessarily interested in charging lower prices. Given the socio-economic makeup of most credit unions, moreover, it seems unlikely that their

stores would offer serious price competition to existing storeowners: the latter might well be credit union members or officials or relatives of them. When one credit union wanted to open a store, for example, it was vigorously opposed by the member-storeowners of the town, as is often the case. A compromise was struck whereby the credit union opened its store, but the private storeowners were to be allowed to buy wholesale supplies in bulk from the store's warehouse. Under this arrangement, private storeowners continued to charge the same prices, despite their new more economic buying arrangements, and the prices of the new credit union store did not diverge significantly from the others.

The credit union store, then, took advantage of the economies of scale of supplying nonmembers as well as members, though it did not pass on these economies to its customers. It introduced an additional supply of goods into the community, perhaps a more significant external benefit than price reduction in communities of difficult access. The store of the Sucúa cattle-marketing coop is a good example of the latter case; its veterinary medicines were the first to be available locally.

External benefits were not a goal of AID's coop programs though this would have seemed important if coops were to be part of a small farmer development strategy. Again, the pursuit of organizational success by coops would conflict with the pursuit of

external benefits: coops are not supposed to provide benefits to nonmembers. The proscription is understandable, for if benefits were provided equally to nonmembers, there would be no reason to join the organization. In that coop stores made their goods available to everyone at the same price, of course, benefits to nonmembers were no less than to members. The special status of the coop member was to be preserved, however, by a year-end dividend payment based on the member's store purchases. But credit unions and coops were usually advised by their sponsoring organizations that it was good business not to distribute their profits and to reinvest them in the store. In effect, then, the store was providing the same benefits to nonmembers and members alike. That this outcome occurred without comment, in face of the policy of not providing equal benefits to nonmembers, seemed a result of the fact that the store was seen more as a good source of revenue for the coop than as providing benefits to members. If nonmember participation in benefits made better business, then that consideration was paramount. The same reasoning was used by a coop union in the province of Imbabura in proposing the formation of an input supply coop. The union comprised 14 coops and 400 members, a number considered too small to justify an input supply operation. They therefore proposed to include nonmember buyers as a way of getting around their

smallness.[2] In the pursuit of scale economies for themselves, then, coops will sometimes end up providing external benefits.

In general, coops do not look around for externally benefiting ways of doing things. Moreover, they often deny themselves opportunities to achieve the kinds of external economies they did with store sales to nonmembers, on the grounds that they are not supposed to service nonmembers. This was the case with savings and FECOAC, as noted above, where the opportunity to attract nonmember deposits with fixed-term accounts and good interest rates was not pursued because it would involve the provision of services to nonmembers. If the credit union federation had developed the savings possibility, this would have amounted to an external benefit much more substantial than stores.

Because the coop organization became an end in itself in AID's coop program, external benefits were not desired, demanded, or looked for. If exclusiveness is an integral aspect of cooperative development, however, then coops do not necessarily spread democracy and other benefits around; they thus are not necessarily worthy of support as ends in themselves. At the same time, however, the positive attributes of exclusiveness need to be recognized. This

---

[2]CLUSA, "Projecto de formación de una cooperativa de suministros de insumos agrícolas en la provincia de Imbabura" (n.d.), p. 1.

may mean allowing rivalries to flourish, letting groups limit their membership, and restricting activities to one or two tasks. It means giving in to the "luxury" of spending a considerable amount of time with each coop, as was done with the FECOAC and PPEA pilot projects, instead of flitting from one to another in order to claim as much coverage as possible. By putting much more of the burden on external economies to spread the benefits of such programs, they can be freed from the pursuit of contradictory goals. If coop programmers were to let go of the democracy mystique, they might be able to take better advantage of the exclusivist tendencies that can spur the growth of groups. This recognition should result in a higher priority for programs that can show external benefits, and for including measures of them in program performance.

Non-cooperative Groups and Institutionalized Contempt

In contrast to the exclusivist attributes discussed so far, there is one aspect of the selectivity of cooperative programs that is downright damaging to small farmer development. Other forms of small farmer organizations are often more indigenous and more easily generated than the cooperative. By focusing on coops exclusive of these groups, AID coop programs put them at a relative disadvantage. Such programs usually achieve favorable tax treatment for coops, for example, especially with respect to excise and import taxes. This amounts to a significant incentive to organize into coops to purchase durable goods. The bus transport credit unions of Ecuador are an example of these purchase-intensive groups; they received twice the amount of Coop Bank credit in 1974 as that for agricultural credit unions (Table IX). Special treatment and attention, then, ends up being given to people who are interested in making certain kinds of purchases. Add to this the channeling of credit and technical assistance to small farmers only through cooperative groups, and one has a policy of gross neglect of the wealth of indigenous groupings in Ecuador which are already in place.

The non-coop groups can be seen as a potential infrastructure for distributing public sector benefits to small farmers. This is particularly relevant because the policy of the Ecuadorean government,

as well as many other Latin American governments, is to service small farmers in groups. The water user organizations, described above, are one example of such an indigenous grouping. The comunas, a traditional Indian form, are another. (The rural development department of the Ministry of Agriculture in Guayaquil is now starting a community development program in an area where comunas are numerous.) The minga is another example of group action in Ecuador (it has other names in other countries), whereby the residents of a community must contribute a day of work two or four times a month to a project of benefit to the community—like a road, a schoolhouse, or an irrigation canal. The spontaneous groups formed to acquire land are another example.

One is impressed in the Ecuadorean countryside with the richness of group action and the spontaneity with which peasants come together to solve problems. Indeed, it was originally thought that these groupings meant that peasants were natural cooperators and that cooperatives, therefore, made good sense. When coops did not work well, it was said that peasants were not natural cooperators they were instead highly individualistic and thus cooperative development, it was said, had been based on mistaken assumptions about peasant society. The myth of cooperativeness had been caused in part by a naive interpretation of old Indian groupings, anthropologists said, which had turned out on closer examination

to be autocratically structured and coercive.

These judgments are somewhat beside the fact that there are natural groupings now. One does not have to say that Ecuadorean peasants are cooperators in order to say that there is a tradition of forming groups to achieve specific ends. This is quite different from the permanent state of cooperation behind the concept of a cooperative organization. Needless to say, the neglect of these other forms of group action was bound to result from viewing the cooperative as an end and not a means, a view which did not allow room for other organizational forms. Yet one cannot help but see the richness of grouping in the Ecuadorean countryside as a strong comment on the unsuitability of the cooperative form which, after so much promotion, has made so little impact there.

That AID took a technical assistance approach to small farmer organizations perhaps determined that locally grown group forms would be neglected. If groups of indigenous design had been selected as carriers of development assistance, that is, there would have been no need to supply expertise in organizing from outside the country. An alternative approach might have been to concentrate organizational expertise on making the connection between the Ecuadorean public sector organization and the already existing local groups. This is the approach of the Utah State researcher of the water user associations.[1] This researcher, on an AID-financed

[1]Anderson, "Irrigation Management."

contract with the government water agency, is now studying the possibility of having INERHI utilize the water user associations, which now have no connection with INERHI, as decentralized outposts in the operation of some of the agency's irrigation districts. Such an approach, if generalized, could make the coop contractors and federations superfluous. Since much of the design of small farmer programs was contracted out to these groups, it was not likely that an approach that was so against their interests would have emerged in their programs.

Of the AID-financed institutions, CREA was the only one utilizing existing organizational structures in rural communities. The infrastructure department was taking local requests for access roads, potable water or schools back to the community to ask them what they could supply, mainly in the form of group labor. As noted above, communities were contributing 20% to 80% of the cost of these projects. In this way CREA was channeling capital funds to the countryside through the use of existing local groups and, in so doing, was strengthening these local groups.

CREA's cooperative department, it should be pointed out, included one indigenous agricultural group, a comuna, on its roster. The group's members had been sharecroppers on an hacienda which they had acquired with the intermediation and credit of CREA, a nonprofit organization described below. One CREA coop promoter thought the

comuna was much more dedicated and cohesive than any of the coops in the province. Part of the group's cooperative spirit revolved around a communal plot, which they were farming with the hope of paying off their land debt as soon as possible. Because CREA was an organization with a development program to carry out and had no coop contractors around, it was perhaps more likely to latch on to local groups than was an AID coop program, whose purpose it was to create one particular organizational form.

The neglect of indigenous organizational forms must be related to the contempt for the Indian that pervades so much of Ecuadorean society. When there is contempt, the value of local customs and organizational structures is not likely to be appreciated The Ecuadorean organizations financed by AID to help out small farmers are not exempt from this contempt. Almost none of the coops affiliated with these institutions were indigenous; FECOAC and CUNA attempts to organize Indian groups were unsuccessful.[3] CREA worked with three indigenous agricultural coops, though this did not seem to make inroads on the prevailing "wisdom" about Indians.

---

[3]CUNA, "Ecuador Final Report, 1971," p. 31.

Part of the problem with indigenous groups arose from the fact that mestizo farmers often refused to associate with Indians in any kind of group. Separate groups were often the only workable solution, as witnessed by the pairs of coops that frequently marks the breaking up of an hacienda--one for the ex-tenant Indian, and one for the mestizos.[4] (This often corresponded to a class division as well, mestizos having had administrator positions on the hacienda.) To work with small farmer groups in Ecuador, then, often meant working with segregated groups. In that development assistance technicians were culturally closer to mestizos than Indians, it is not surprising that the assisted groups were mestizo. This left untapped the wealth of grouping traditions in the Indian population.

The task of serving a poor population for which one has contempt is a big order. When such ingrained racial stereotypes exist about a group to be "helped" with development assistance, it may be a good strategy to minimize personal interactions. These interactions will serve as conveyers for institutionalized contempt and undermine the very purpose of the programs. A program that channels goods and monies to the stigmatized groups, rather than

---

[4] The demand by mestizos for separate coops after expropriation was also commented upon in International Development Services, Inc., "Analysis and Recommendations on the Agrarian Reform Program in Ecuador," by Keith Himebaugh, Frank V. Beck and Lisa Lekis, AID contract #AID-518-162 (15 November 1966), p. 17.

technical assistance, might meet the criterion of minimizing personal interactions. AID's programs were just the opposite: few goods and monies, and all interrelations.

Among assistance organizations in Ecuador, the exclusion of organizational forms other than coops seems to have been peculiar to AID. Several philanthropical groups are working with various forms of small farmer organizations. One of the most important of these is CESA, originally funded by a group of German Catholic bishops; CESA now has some funding from the Inter-American Foundation. CESA has involved itself particularly in land-acquisition efforts by peasant groups, supplying intermediation and credit. It assists a group of rice coops in the Guayas basin, in an effort similar to that of FENACOOPARR.

In encouraging grouping between individuals or existing groups, CESA does not emphasize coops or any other organizational form; instead, it looks to an "ecological" or "geographical" homogeneity. It encourages grouping, that is, only where there is closeness or common traits--such as a common type of crop production, common participation in a local marketing pattern, shared social customs. In effect, CESA stays away from the heterogeneous groupings of regionwide or nationwide coop federations, on the grounds that such heterogeneity does not make for cohesiveness.

In a sense, CESA's approach amounts to a recognition of

the strengths of exclusiveness discussed above, and a determination to place those attributes in the service of organizational growth. Unfortunately, it was not possible for me to evaluate CESA's work on this trip; it would be useful to gain an understanding of how such an approach works, and how it compares to the strategy of AID. CESA's rice coop program in particular provides an opportunity for comparison with AID's two rice projects in the same region.

Intermission: Partial Summary and Conclusions

AID needs to change the premises under which it became involved in the promotion of small farmer organizations. It needs to question the new wisdom of both donor and recipient countries that small farmer problems can be most effectively dealt with by grouping individuals into cooperatives. This concept of efficiency is based on a too narrow definition of economies of scale, which neglects the substantial diseconomies of scale discussed above. The cooperative approach, moreover, needs to be recognized as not necessarily democratic or reaching significant numbers of farmers. It cannot be the major component of a program to solve problems of democracy or rural poverty. Once cooperative projects are freed of these impossible responsibilities--something cooperative promoters brought upon themselves--they might be developed into the selective, intensive approaches that they are. They can be good for specific groups, that is, under specific circumstances.

It needs to be recognized that AID-financed cooperative projects cannot be a way of developing peasant leadership. Cooperatives are often likely to reflect traditional power structures, and though this does not preclude certain achievements, it does not pave the way for control by the poor. Though the strength of peasant organizations and their leaders often develops

through adversity to established groups, AID has not shown itself a comfortable promoter of such adversity. Unhesitating AID support of authentic peasant organization and leadership, that is, might have to go along with just the kind of disruptive social change to which cooperative programs were supposed to offer an alternative.

It is unrealistic to expect that significant outputs of peasant leadership can result within the typical time span of an AID project. A study of peasant leadership in Mexico, for example, judged that it had taken thirty years of struggle and government commitment to develop grassroots peasant leadership in one particular region. Thirty years, the authors concluded, was a remarkably short period of time for such a change to have occurred. Yet official commitment to the development of peasant organizations in Mexico was greater, and covered a much longer period of time than in any other Latin American country.[1]

If AID's coop programs in Latin America have contributed to the formation of any kind of leadership, it has been in the urban elites and not among the peasants. Many Ecuadoreans with considerable past experience in AID programs now hold important positions in other

---

[1]Henry Landsberger and Cynthia Hewitt de Alcantara, "From Violence to Pressure-Group Politics and Cooperation: a Mexican Case Study," in Two Blades of Grass: Rural Cooperatives in Agricultural Modernization, ed. Peter Worsley (Manchester, England: Manchester University Press, 1971), pp. 338-340.

public sector institutions--especially the Ministry of Agriculture and the state development bank. The PPEA in particular has served as an avenue of such upward mobility, to the point that it has suffered from a high turnover in its top positions.

Though professionalism of urban elites through AID programs is a noteworthy byproduct of these programs, peasant leadership at the local level is not touched by it. That is why existing organizational forms and experiences at local levels should be looked at as resources to work with. This would mean taking such forms as organizational givens to which assistance might be made available, rather than as raw material to be re-done in the coop image. When it is recognized, morevoer, that the coop approach is almost unworkable as a global strategy for small farmer development, then program designers may find that it is not always necessary to group poor people in order to help them. The findings of AID's current research into its small farmer credit programs may help clarify this issue. Finally, an appreciation of the more limited role that cooperatives can play in agricultural development may shift program emphasis from the coop's benefits to members to the impact of the coop on the world around it.

Financing the Coop: Marketing vs. Supply Operations

In some of the cooperative programs discussed above, considerable attention was paid to the task of helping the individual coop finance itself. CREA and FECOAC encouraged affiliated coops to set up small stores; FENACOOPARR was encouraged by AID and CLUSA to set up input stores and a rental machinery pool. Much of the advice of the sponsoring organizations was directed toward these endeavors, particularly in the case of CREA, where almost all of its subsidized credit to coops was for capitalizing stores.

This emphasis on selling operations seemed somewhat of a digression from the purposes for which coops had been formed: to provide less costly marketing services, in the case of CREA; to expand the supply of credit available to small farmers, in the case of FECOAC; and to assist tenant farmers to acquire land and market their rice, in the case of FENACOOPARR. It was as if these direct goals were too difficult or long term to be vigorously pursued from the start; as if there was a need for some interim activity, at a less complex level, that would set up the organization as an ongoing unit capable of conducting its own business affairs.

In many cases, selling operations seem to have come about as a second-best to failed attempts at marketing. A marketing operation is more demanding and complex than running a store; it

requires more coop discipline and business acumen. The marketing coop has to be able to pay prevailing prices, at the least, for member produce; it has to pay in cash, like the intermediary, a difficult thing for a coop to do because it requires considerable operating capital or outside credit. If it cannot pay in cash, it must offer some compensating benefit like honest scales, technical assistance, or crop credit. Members, in turn, have to hand their produce over to the coop rather than to an intermediary even when the latter may pay a better price; otherwise the coop will not achieve an economic sales volume or be able to make advance contracts with buyers.

Being able to meet the intermediary's price and ability to pay in cash has been the bane of many marketing coops inside Ecuador and out. In lieu of price and cash matching, the way for marketing coops to survive is to enforce strict discipline over member sales. This happens only rarely, since most members do not have enough income to sacrifice for the principle of organizational solidarity. The case of Sucúa was an exception: members maintained the discipline of selling only through the coop, even though the intermediary offered a higher price in an attempt to break the coop. "You don't find cattle intermediaries in Sucúa anymore," people say. That Sucúa coop members were engaged almost

exclusively in cattle as opposed to crop production indicates an income level higher than that of the typical agricultural coop. This income difference might have been enough to allow such a sacrifice.

The coop store does not require the kind of allegiance and sacrifice that a marketing operation does. In many coop stores, more than half of the sales volume was accounted for by nonmember purchases; thus their success could be based on substantial nonmember patronage, even though it was not planned that way. The marketing operation, in contrast, was dependent on member patronage for its success. The fact that there were much more coop stores surviving than marketing operations suggests that stores were an easier task for some coops.

For marketing operations to achieve the necessary volume, it is necessary either to group individual coops--as was attempted with Sucúa, Méndez and Macas--or to achieve a significant volume of purchase from nonmembers--as in the case of Sucúa, which purchased from nonmembers 50% of the cattle it sold. Similarly, the CREA wheat coops purchased 50% of their wheat at one time from nonmembers, because of the attraction of their honest scales.[1] But stories like these were rare for Ecuador. Since associations of coops and

---

[1]See p. 136.

the competing away of nonmembers from intermediaries usually involve a considerable amount of prior success and sophistication, marketing may be inherently inconsistent with the first stages of a coop's development. The purchase of a significant share of outp from nonmembers, moreover, would be contrary to the coop philosoph of providing benefits only to members. Though stores contradicted this rule, they were not central to program designs and goals the way marketing was.

In coop marketing operations it seemed more difficult to get nonmember clientele than in the case of stores. It was hard enough to get members, let alone nonmembers, to sell through the coop. In marketing coops, moreover, one might get away with paying lower prices for farmer produce than those prevailing in the market by compensating the coop member with other benefits, such as access to subsidized credit. One could not get nonmember patronage at this lower price, however, without giving the nonmember the same benefits; otherwise he would sell elsewhere.

Stores, in contrast, could successfully charge the same price to all and still discriminate between members and nonmembers by promising to pay members a dividend out of profits, which usually did not happen, and by sometimes allowing members to buy on short term credit. Thus it was easier for stores than for marketing operations to increase volume through nonmember

participation while at the same time not providing nonmembers the same level of benefits as the coop membership. It may not be, then, that scale economies came into effect at larger volumes for marketing operations than for stores; rather, stores may have been more able to capture scale economies through nonmember participation than was marketing.

Whatever the explanation, the common failure of AID-sponsored coops in marketing, especially lamented in the CREA project, may be more a case of unrealizable goals and a retreat to more realistic ones than anything else. More needs to be known about the success rate of the stores to evaluate them as a substitute for marketing operations in early stages of coop growth. Do stores enable a coop to grow and move toward more difficult tasks like marketing?

I am not sure whether the retreat to the "store strategy," though unperceived as such, represents a step forward or not. The shift in emphasis from more dramatic goals to the setting up of stores may represent a dividing up into more digestible pieces of the task of creating an organization. By first undertaking a fairly simple task, the group learns the ropes of behaving as an organization and gets an immediate sense of accomplishment, regardless of its significance or its relation to the goals for which the organization was formed. Perhaps stores fit that need. They do

not require much cooperative behavior and involve the delegating of tasks to a few trusted members or paid employees. Though the attention paid to stores and the shift away from more immediate goals have never been justified as such, they may result from an unperceived process of learning about organizational development by coop-sponsoring organizations.

On the one hand, stores may represent a more finely tuned strategy of organizational growth. On the other hand, however, they may signify coop stagnation. The store emphasis may be a cover-up for impending failure; it may represent a retreat from unrealizable goals to activities which, though realizable, are irrelevant to the welfare of the group. Stores, after all, are not "natural" tasks for a peasant farmer group, such as working on a small construction project might be. Store management requires training and considerable vigilance by an outsider. The concept of keeping written track of all transactions is alien enough that it was the subject of constant tutoring by coop promoters at the many stores we visited.

Much of the assistance to coops for their stores involves the training of managers and employees to run the store. From this training and work experience, however, the coop store operators gain skills that are relatively scarce among their peers. Since these skills are not specific to the cooperative, but are

of value in the society at large, there is nothing to keep the training organization from losing its trainee to the private sector, and hence its investment in training. CREA experienced this problem to a certain extent. The coop members it trained to run the business aspects of the cooperative were attracted to more profitable opportunities in the private sector for use of their new skills; or they used their new business savvy to convert coop profits into their own personal gain. The manager of one of CREA's cattle marketing coops, for example, after learning about the cattle marketing business through his coop work, used the proceeds of a BNF loan to the coop to buy and sell cattle for his own personal profit. The manager of a FECOAC-assisted credit union store, as another example, at first built up a successful operation. After perceiving its potential, however, he let the business run down and, when it was on the verge of failure, bought it at a good price. He is now the owner of a successful roadside store.

Coop stores may indeed represent easier short run accomplishments, but they may not signal a move of the organization toward managing more complex tasks. True, they minimize demands on the organization by concentrating them on a few people who can be trained; but it is highly tempting for these few people to put their new skills to more profitable use outside the coop, or against its interests. By diminishing the demands on

organizational participation, one at the same time loosens the organization's control over the activity.

Perhaps there are tasks that minimize demands but at the same time keep accomplishments dispersed enough among members that there is no benefit to taking them outside the organization. This may be one of the reasons why infrastructure projects have been found to be good first tasks: they require virtually no training and thus do not create disproportionate endowments of skills among coop members. Unlike the profits from a store or the skills learned at storekeeping, an infrastructure project cannot be carried away outside the coop's reach. At worst, nonmembers will benefit from a project to which they did not contribute. But this will not take away from member use of the facility; nor can members be deprived of the organizational experience of having carried out an activity as a group.

Financing the Coop: Communal Farming

Like stores, communal farming can also be seen as an income-earning proposition for an agricultural coop, though it usually isn't discussed in that light. To discuss communal production in the same breath as coop stores--as another way of opening up a business--may seem an offhand treatment of this important issue. But revenue-earning was one of the main reasons, in addition to production considerations, for which communal plots were encouraged by the PPEA. It is useful, moreover, to look at communal production as one extreme of a continuum of coop businesses, of which stores are at the other end. Communal production is usually seen as desirable on the grounds of scale economies: inputs can be more economically purchased and used on larger units than on smaller ones. By focusing on the communal plot in terms of its use as a revenue-earning device by the coop, then, I beg the larger question of whether or not this is a desirable method of organizing agricultural production, a question on which the literature is extensive.

Communal production has been undertaken in various forms and with varying degrees of success in the PPEA program. One of the most successful coops, San Felipe, has all its cultivated lands in communal production; most of the rest are mixed systems with some communal and some individually worked plots. The all-individual groups are usually encouraged by program technicians

to initiate a mixed system. The coop with all the management problems cited in the PPEA section above was exhorted in the same audit report to adopt a communal plot as an answer to some of these problems.

> "Cooperative or communal cultivation should be adopted or intensified. In other cooperatives like San Felipe, communal production has produced excellent results, earning for that group the name of 'millionaire cooperative.' San Felipe's credit payments are on time, and with its profits, it has acquired another farm for cattle and fowl production, also in the communal form."

The communal plot is going well among some coops and has created problems among others, not of an unexpected nature. It is too early to tell whether these are normal growing problems or if these undertakings ultimately will not work. There is considerable criticism of the PPEA from rice coops outside the program, based on the allegation that the program "forces" coops to have a communal plot as a requirement for participation. Resentment over this issue is not surprising, since participation in the program gives a coop access to credit on a scale that is not available in any other way. Whether the exhortations of program technicians to coops to start a communal plot shade into a prerequisite for participation in the program is not clear. There is also substantial grumbling about the communal plot within the participating coops, as mentioned above. Some members feel that they are working more than others, and the less-working members feel that they have

good reason for their position.

PPEA technicians were spending considerable time on this problem, trying to convince coop leadership to institute and enforce a system of fines for those who did not contribute their share of work. Some coop managers were being advised to threaten the cutoff of individual credit to members not fulfilling their work obligations on the communal plot. This threat, the technicians said privately, could really not be carried out. The system of fines did not seem to be working yet, and the coops did not seem to have hard and fast work plans for the communal plots. (The fine favored by the PPEA was rather stiff--S/100, which was more than one and a half times the daily wage.)

There is precedent, of course, for the fine system in the minga tradition, whereby residents must make their contribution in cash if they do not work, equivalent to the cost of hiring someone else. The similarity of the communal plot work and fine obligations to the minga brings out an important difference between them, which may explain the difficulty that coops have with the communal work obligation. The minga obligates the members of a community to work together in one place at one point in time. Because it is a group activity, it takes on the nature of an event. Unlike the minga, the communal plot has no group activity that defines it. It is an individual work obligation executed in the same way as

the farmer's work on his own plot. It requires ongoing work through time, and therefore has different members working the plot individually or in small groups at different times. Like the project worked on by a minga, the communal plot is for the benefit of all. But that group benefit has no concrete manifestation in a group activity.

The social aspects of group work have received considerable attention in the anthropological literature. They serve to attract participation and help pace the work, often providing rhythms to which tasks can be done. Nonparticipation, moreover, is much more obvious in a group activity like the minga. Everybody can verify at a glance who is not there, and the meeting together of the group provides an opportunity to comment on the absence of any particular member. Failure to participate in communal plot work, in contrast, is noticed at the moment by only a few members, if any. Word gets out to other members gradually, but the shirker does not face the specter of all members communally witnessing his failure to cooperate. Instead, he is subject to belated notification from the manager that he failed to comply and will be subject to a fine. This situation carries much less coercive force than the other. Delayed formal sanctions are much less effective than immediate social disapproval in a society where relations are more personal than in our own.

The peasant "propensity" to engage in group work, then, may relate only to group settings and not individual ones. The proper sanctions are not inherent in the individual setting; the more formal sanctions do not function very well in this type of society; and these latter sanctions can end up undermining the camaraderie of the group. Finally, the minga is a social occasion, in comparison to work on the communal plot. It is complementary to a farmer's individual work and not, in contrast to the communal plot, a simple and uninteresting extension of it.

If work on the communal plot were to have some aspect of the differentness of minga work, then it might be more easily induced. It is striking, from this point of view, that in most of the PPEA coops the same crop is planted communally as is individually--rice. This exacerbates the peak labor demands on the farmer, which are dictated by the agricultural calendar. Of course, other crop cycles would be controlled by the same agricultural calendar, but the intensity of the various production activities would vary enough to allow some complementarity.

One rice coop outside the PPEA program experimented during its first year with a communal rice plot, in addition to individual plots. Everybody cooperated in the planting and weeding; but when harvest time came, members were working full time on their own rice. Even though a fine crop of rice had grown on the communal

plot, they had to let it lay unharvested so as not to sacrifice their individual harvests. From then on, they planted their land individually. Planting the same crop on the communal plot, in other words, makes communal work competitive with individual work rather complementary to it.

The irrigation investments of the PPEA project may have concentrated labor demands during the planting season even more. Before irrigation, the rhythm of rice planting was dictated by the pace at which floodwaters rose from their riverbeds and receded. Since properties were not laid out systematically, each with a narrow front on the river and extending back from it, the floodwaters reached different properties at different times. This provided natural pacing for planting work, and spread the work in time among the various farm plots. Thus one farmer might be freed up from work just at the point when a nearby farmer would be most busy. Some helping out of neighbors would therefore be feasible under this natural pacing system. (I am talking of rainy season planting; before irrigation there was little or no planting of rice during the dry season.

Irrigation would affect this picture in two ways. The systems were small enough, and water abundant enough in the rainy season, that farmers did not have to form queues to flood their plots in sequence; this in itself would have required a new and

difficult form of decisionmaking, involving human decisions instead of ones dictated by nature. But in this case, irrigation and abundant rainfall made water available to everyone in one fell swoop. Thus it was possible for everyone to plant at the same time, instead of at the pace of the river's rise and fall. This would accentuate even more the peak of labor demand for planting; it would lessen possibilities for inter-farmer cooperation based on the sequential movement of flood waters. There would be no natural sequence to work on the communal plot, and the cost to the individual farmer of leaving his plot to do that work would be greater. Irrigation, then, made the communal plot even less complementary with work on the individual plot.

If the communal plot is planted just like the individual ones, there is no self-evident technical or economic justification to the coop member for producing a part of the coop communally. With minga projects, for example, the farmer knows that only through group action can a road or schoolhouse be built; with the communal rice plot, in contrast, he knows that he can produce the exact same product on his own--though maybe a lesser volume. The minga project, moreover, will usually bring benefits that cannot be appropriated by a single farmer, even if he were able to build the project on his own; such projects usually involve "public goods," where consumption by one person does not leave any less for

consumption by another. The income from rice production, however, can accrue to one person and thus there is little incentive to produce the good communally. To the individual coop farmer, there was no apparent advantage to working a communal plot; the same product could be produced, and its benefits appropriated, on an individual level. That the plot could produce an income for the coop was a paltry incentive for a farmer to leave his own plot and sacrifice his income.

The most important benefits usually thought to accrue from scale economies, in fact, seemed to have been already made available by the PPEA to individual plots. The irrigation system was designed so as to supply water to the relatively small individual parcels. With PPEA credit, moreover, coops bought plowing equipment and backpack sprayers, which were used on individual and communal plots alike. The PPEA itself, then, had abolished the economies of scale that might have been relevant in this setting. It was eloquent testimony to the fact that irrigation, spraying and mechanical plowing could be highly divisible.

That the PPEA coops were able to organize these services and make them available to members was a significant accomplishment. It was an unusual case of the economies of scale in purchase and use of inputs being realized through cooperative organization.

But in pushing the communal plot, against the inclination of many members and with no obvious scale justification, the PPEA may end up undoing group cohesion. The dissension and recriminations involving work on the communal plot may threaten the PPEA's achievements in providing irrigation, machinery and input services through the coop to the individual farmer.

The PPEA, as far as I can tell, did not take the complementarity question into consideration in planning for communal plots. The San Felipe coop, however, recently bought several head of cattle; they graze on rice leavings after the harvest, and on higher uncleared lands the rest of the time. This supplies some natural fertilizer to the rice lands, but also requires some reconstruction of retaining walls. This complementarity, however, is the outcome of a successful initial period of growth for the coop, rather than the result of a policy of complementarity. The Simón Bolívar coop is planning to plant cotton on its higher lands. There is also some experimentation taking place with soybean, with the idea that it would make a good dry-season complement to rice.

The communal plot might be seen as a gradual way to introduce communal farming to peasants; after seeing its virtues, they might want to move on to completely communal production. The move to communal farming, however, is in some sense indivisible,

all or nothing. The mixed system introduces a high cost to the farmer for participating in communal production--i.e., the work time sacrificed or his own plot. In a completely communal system, there is no such cost to participation in communal work. This may explain why an AID/contractor evaluation found that the all-communal coops of the PPEA were functioning much better than the mixed communal-individual.[1] Far from being a way of easing toward complete communal farming, then, the mixed system carries with it a strong disincentive to communal work. Indeed, with such disincentives, it is remarkable that the system has worked at all! What is more puzzling, then, is the reason for the successful mixed-system cases of the PPEA, rather than for the problem ones.

The obvious ultimate in complementarity between individual and communal plots would be cattle grazing for the communal lands. This is the system encountered in some of the highlands production coops. These coops are composed of ex-peons and usually occupy the lands of the ex-hacienda where they worked. In contrast to the rice coops, however, the communal activity in this case has obvious economic justifications. There are economies of scale to pasturing cattle in common. The effort required for the communal activity is hardly at all competitive with members' work on their individual plots; livestock and dairy production is not labor intensive compared to crops, and pasturing chores follow the agricultural cycle in different rhythms than do crops.

Milking tasks were assigned to women in the highland

[1] Olsen and Anderson, "Sistemas de riego y drenaje," p. 6.

coops I visited. Thus these communal tasks did not require taking the men away from work on their crops, work which was not normally done by women. Part of the task of administering such a communal endeavor, furthermore, involves the collection of a grazing fee from members per head of cattle grazed, rather than the organizing of a schedule for members to work and the enforcement of it. Benefits from the communal activity in these systems are also more directly received by the individual than in the case of the rice coops. The cattle need not be milked or marketed in common in order for the communal pastures arrangement to work. The communal effort in these cases, in short, can lead to individual income receipts or assetholdings, in contrast to the communal rice plots which lead to the less tangible benefits of belonging to a strong organization.

The mixed communal form of the highlands has some basis in tradition, in comparison to the mixed forms being tried on the coast. Common cattle grazing combined with individual plots bears considerable resemblance to production patterns of the traditional hacienda system. For many of these mixed highlands coops, the landowner of pre-reform days allowed each peasant a plot of land to grow subsistence crops and common grazing rights farther up on the hillsides. The coop members, then, often had a history of living and working together in a mixed production system.

The successful San Felipe coop also bears similarity to

a past pattern of production relations. This case of complete communal farming involves ex-agricultural laborers, in contrast to the ex-tenant farmers of most of the other PPEA coops. These new farmers were already used to working in a centrally-managed production system—just as the highland farmers were used to a mixed system of grazing and crops within the old hacienda. This was in striking contrast to the individual production mode of the ex-tenant farmers, who did not have the group work history of the coast laborers or the highland peons.

There may be no other complementarity in a group farming enterprise as functional as that between cattle and crops, and communal cattle production may not be feasible in the coast coops. Still, there must be some crops that have a certain degree of complementarity with rice, and for which there is some economic justification for producing on a larger scale.

There was one last problem with the mixed communal systems of the PPEA. By the time the rice coops became affiliated with the PPEA, the layout of their land parcels had already been determined—either by past tenancy patterns or by the agrarian reform agency. These layouts were usually not determined with irrigation or communal production in mind. The parcels often ended up in a patchwork design, with uncultivated spaces between some plots and highly unequal distances from plots to the source of water.

The location of the communal plot could be just as unplanned. In some cases, for example, this location was determined by the fact that a member died or sold out his share to the coop; the availability of his parcel and the question of what to do with it was the occasion for beginning to farm a portion of the land communally. Many of the communal plots, then, lie at considerably unequal distances from the individual plots, so that some members have a long distance to go to reach the communal plot while others are quite near. The faraway members were often the recalcitrant ones with respect to their work obligations on the communal plot.

In the Amelia María coop, layout had been more rational. Unlike most other coops, parcelization of the land had been planned with land leveling and irrigation in mind. The land had been divided into roughly equal contiguous plots, each with its narrow frontage on the river. The communal plot lay somewhat in the middle, so that the variance in distances from it to the individual plots was much smaller than in other cases. In this case, the communal plot seemed to be working successfully.

The main argument for the mixed communal system in this program was that it was one way to guarantee an income to the coop. It was surer than dues charges or capital subscriptions, which might never be paid. Though perhaps difficult to police, it may

nevertheless have been seen as still easier than the alternative attempted by the FENACOOPARR coops: obligatory marketing of rice production through the coop, at which point charges could be conveniently deducted. Since coops usually have difficulty meeting intermediary prices, such a system requires considerable discipline, coercion of members, or access to substantial working capital credit to facilitate cach payment to members.

As the FENACOOPARR experience is showing, affiliated coops are becoming resentful over the loss they take on sales at official prices to the federation, a loss which increases with the gap between the rate of inflation and the rate of increase in the official price. In that the PPEA had already showered its coops with substantial credit, additional credit for a coop marketing scheme might have been unfeasible. Moreover, the institutional difficulties of obligatory marketing in the program's first stages would be enough for this alternative to have been considered less desirable than the communal plot as a way of guaranteeing income to the coop.

It is not clear to what extent the communal plot was looked upon by the PPEA as insurance against default on amortization payments for irrigation, equipment and even short term individual credit. The PPEA, after all, was responsible for a program of unusually intensive credit with no built-in mechanism to collect

on that credit. It had placed itself on the line in approving the plans on which the credit was based, and in pressuring official institutions to grant it with unusual conditions. If credit repayment were to run into problems, this would be a significant blow to the program's reputation. In that production from the communal plot would belong to the coop rather than the individual, it could be counted on, if necessary, to contribute to such payments. As the program has evolved and credit repayment has become a problem, the program may have become more preoccupied with guaranteeing a surer source of funds for credit repayment. For this reason, it may be encouraging the communal plot more.

In a certain way, the communal plot seemed a somewhat inadvertent turn of events, just as in the case of the coop stores. Both were hit upon as ways of providing some income to the coop. They did not have strong economic justifications nor were they indispensable to program goals. As self-financing devices, the two were at opposite extremes in terms of the amount of cooperative behavior they required; stores were the least demanding and mixed communal systems the most. Stores had disadvantages, as described above, but their comparison to communal plots helps point out the extreme degree of cooperative behavior that the latter require. Before the communal plot can be a secure source of income for a coop, it needs to be integrated with group

production in a way that gives it a more palpable reason for being, and makes it much less costly for the individual farmer.

Coast vs. Highlands

In reviewing the development assistance programs proposed at various times for Ecuador, one is impressed with the amount of attention paid to the coast, particularly the Guayas river basin, as opposed to the highlands. Out of the $48.5 million of loans authorized for agriculture by AID, IBRD and IDB in the 1960-1970 period, half were specifically directed to products of the coast.[1] One-fifth of this total, moreover, was designated for the Guayas basin. Development plans now being proposed for Ecuadorean agriculture seem to emphasize the coast even more. Grand schemes are not wanting for the coast, in short, but one almost never sees them for the highlands.

A related aspect of the coast emphasis is that the most successful and radical place of agrarian reform legislation in Ecuador involved only the coast and only rice-growing lands: In September 1970, the government had issued Decree No. 373, which sought to abolish all agricultural tenancy arrangements with landlords. Tenants with three or more years of occupancy could petition the land reform agency for immediate expropriation of the parcels they worked. Three months later, a subsequent decree gave special priority in the implementation of agrarian reform to rice lands in the Guayas basin. Decree 1001 designated rice as an area where

---

[1]Based on data from IBRD, "Ecuador Agricultural Review," Annex 12.

land tenure problems were particularly acute, and declared that lands under tenant-farmer cultivation were subject to immediate expropriation. In the late 1960s, 80% to 90% of rice cropland was cultivated by tenant farmers with parcels of less than ten hectares; these tenants paid rent ranging from three to twelve 200-lb. sacks of paddy rice per cuadra.[2]

All sharecropping and rental arrangements, of course, were not swept away from Ecuador overnight, as a literal reading of Decree 373 might have led one to believe. But the narrowing of attention on rice had considerable impact. By mid 1974, under the aegis of Decree 1001, 31 rice properties had been expropriated with 16,752 hectares; a further 252 with 104,827 hectares had been designated for expropriation; and 386 more properties, with at least 82,709 hectares, were "under study."[3] This compared to a total of 43,304 hectares of private land expropriated in all five coastal provinces during the whole 1964-1974 period.[4] After less than four years of 1001's existence, then, the amount of rice lands already expropriated and parceled in the Guayas basin amounted to almost 40% of all private land expropriated in the coast over a

---

[2]Alfonso Avilés Mora, "Estructura de la tenencia de la tierra en áreas arroceras," Quito, Ecuador (July 1968). One cuadra = 1.74 acres or 0.7 hectares.

[3]Zuvekas, "Agrarian Reform in Ecuador."

[4]U.S. Embassy/Quito, "Annual Agricultural Situation Report."

ten-year period. The additional rice land "intervened" and designated for expropriation by mid 1974, moreover, amounted to more than twice the private land expropriated in the coast during that ten-year period.

Decree 1001 was a swift and drastic order. It is considered a "freak" by many Ecuadoreans who were pleased with it, a fortuitous combination of circumstances involving a failing president looking for political support, falling rice production in the Guayas basin and concern over peasant unrest. It is important to understand the reasons for this emphasis on the coast, the Guayas basin and rice. It is part of the more general issue of coast vs. highlands which, in turn, manifests a problem encountered in development assistance in many countries. It also is the context for decisions now being made by AID and other agencies about assistance to agriculture in Ecuador. To ask about the emphasis on the coast, then, should help yield insights about decisionmaking quandaries AID will have about assistance to small farm agriculture in many countries.

Compared to the highlands of Ecuador, the coastal provinces of El Oro, Esmeraldas, Guayas, Los Rios and Manabí are of relatively recent settlement.[5] Much settlement dates from the

---

[5]My understanding of the coast's socio-economic history up to the 1960s, and the comparison with the highlands, is based to a considerable extent on conversations with Ecuadoreans and three

start of the cacao boom at the end of the last century. More recent agricultural development was facilitated by the application of malaria eradication methods in the last thirty years. Thus the coast has a lower population density, much of the land is still undeveloped, and properties tend to be larger, both owned and rented. Because of the coast's shorter settlement history in comparison to the highlands, land division through inheritance has had less time to whittle down the size of properties. In the highlands, excessive land division is considered the cause of the large number of minifundios, many of which are too small to support a family. (Land reform regulations in 1973 addressed this problem by requiring that only one inheriting child be allowed title to the land, and that he be obligated to buy out the interests of the others.)

There is a neat complementarity between the agricultural seasons of the coast and highlands, to the point that the official school year starts in September in the highlands and in April on

---

written works: Comité Interamericano de Desarrollo Agrícola (CIDA), Tenencia de la Tierra y Desarrollo Socio-Económico del Sector Agrícola Ecuador (Washington, D.C.: Unión Panamericana, Secretaría General de la Organización de los Estados Americanos, 1965); Iván Fernández, Lautaro Ojeda and Patricio Moncayo, "Grupos Sociales Hegemónicos y Formas de Dominación Política en una Zona de la Costa Ecuatoriana," Ponencia Presentada al Décimo Primer Congreso Latinoamericano de Sociolgía (San Jose, Costa Rica, 8-13 July 1974), Quito (1974); and Encuesta Agropecuaria Nacional 1968.

the coast. Even the "14th month" salary--an extension of the concept of the 13th month salary paid at Christmastime--is paid at different times in coast and highlands; the timing is meant to coincide with the start of the school year, when parents face the extra costs of their children's education.[6] The complementarity in agricultural seasons and the geographical proximity of coast and highlands facilitate temporary migrations of labor between the two regions. Many farmers with tiny plots in the highlands go to the coast for planting and harvest seasons.

Permanent migrants to the coast have been more mestizo than Indian. Though there are exceptions, Indians generally have not settled in new areas to the extent that mestizos and whites did, whether to the east or west of the Sierra. This self selection process left more traditional Indian communities with close ties in the highlands and groups of individuals with less community ties on the coast. This and other factors gave a more open, less tradition-bound character to relations between landlord and tenant or worker on the coast.

The migrating nature of part of the agricultural population of the coast, and the constant clearing of new land, did not allow for development of the classic feudal relations that existed between

---

[6]Current educational reform proposals hope to unify the school calendar and end this regional phasing.

highland peasant and landowner. Permanence was a prerequisite for the system of far-reaching obligations in kind between peasant and patron, a system that made the peasant completely dependent on the patron for much of his family's existence. In the coast, such an all-consuming relationship was not possible. Cash payment for services was more prevalent and relations between employer and employee more formal. In this kind of setting, the tenant farmer or agricultural worker had less to lose from taking an adversary stance to the landowner.

The recentness of the coast's agricultural development and the heat and humidity of its climate made absentee landholding a more common phenomenon than in the highlands. This also precluded the development of a full-blown patron-peon syndrome, based on the complete power of a landlord over a locality. Land rental was therefore more common on the coast than the closer, sharecropping relationship. Finally, because land was more plentiful on the coast, and business opportunities outside agriculture were greater, agrarian reform may not have represented as much of a threat as it did to highland landlords.

The agricultural labor force of the coast and its relations with landowners, in sum, has much less rootedness in comparison to the highlands. Even if there is a landed elite, there are not centuries of ingrained feudal relations between that elite and the

rest of the agricultural population. Small farmers on the coast, then, were more likely to organize and make demands on their landowners. They were free of the highland environment of extreme fear and respect for the patron, landowner-landworker relationships were less personal, and land was relatively plentiful.

The history of Ecuador's coast was such that land reform pressures would not encounter as monolithic a power group as in the highlands. Not only had there been less time to develop a landed elite, but the coast had spawned another elite--the merchant and banker class. This class was associated with the development of Guayaquil, the country's port city, and of the Ecuadorean coast as an exporter of primary products--cacao, bananas and coffee. Though this group did not necessarily share common political ground with the rural peasantry, it had no vested reason to be against their claims. It did not always find itself in natural alliance with the landed elite, moreover, who thus could not count on a united front against peasant claims. The merchant and banker class of the coast, then, came to represent a counterweight in coastal politics to the landholding interests. Thus when peasants started to pressure for land, they did not come up against the kind of solid class wall that they would in the highlands. Indeed, their greater aggressiveness and audacity in organizing and promoting change, compared to highlands peasants, made them a desirable ally for

other interest groups seeking power.

All these considerations help explain why Decree 1001 came about when it did and in the unusual form that it did: applying only to one region, the Guayas; one form of land tenancy, rental; one crop, rice; and by executive fiat rather than legislative action. The coast's history helps explain why the peasants were able to be militant and get results in a country with little tradition of large-scale peasant action. It also explains why the government felt impelled to take immediate action favoring the peasants, and why it was politically important to do so. Why was rice, however, singled out for this agrarian reform event?

Rice had a unique combination of structural characteristics in Ecuadorean agriculture. It was the only agricultural product that had been an important domestic staple <u>and</u> an export crop. Between 1960 and 1966, Ecuador exported annually between 5,000 and 40,000 metric tons of rice, from 8% to 20% of total production.[7] Thus rice could be of considerable importance in economic policy. It could earn foreign exchange for the nation and at the same time was crucial to its food consumption. No other important domestically produced staple had this double potential. Corn was not an export-

---

[7]Instituto Nacional de Investigaciones Agropecuarias (INIAP), "La Agricultura en Cifras," <u>Boletín Técnico</u>, No. 9 (July 1974), Tables 23, 33.

oriented product, and wheat was never produced on a scale large enough to allow freedom from import dependence. By the late 1960s, official concern over rice was almost exclusively related to domestic consumption. Even though there were no visions of immediate export revenues from rice, however, it still was in a different category than the staple crops because of the export status it had once achieved.

Rice was also unique in Ecuador in that it was a subsistence and a cash crop. In the late 1960s, 80% to 90% of the rice cropland in the Guayas basin was operated by landless peasants through rental contracts. The majority of rented parcels were less than ten hectares.[8] Plots smaller than five hectares accounted for 60% of total rice farms and 24% of the rice cropland cultivated.[9] These farmers planted rice exclusively and not in conjunction with other crops for their own needs. Thus rice farmers traded almost all their production on the market and at the same time served a good percent of their subsistence needs from this same crop. This was in contrast to many tenancy arrangements whereby the peasant plants subsistence foods on his own plot, and the landlord or administrator manages the cash crop, on which the peasant works

---

[8] Avilés, "Tenencia en Áreas Arroceras," p. 13, 17.

[9] Encuesta Agropecuaria Nacional, 1968.

as laborer. When subsistence and cash crop are one, and management of the cash crop falls under peasant direction, then the peasant will have greater control over his work life; and a good part of the marketed production of the crop will be under peasant management.

This combining of subsistence and cash production in one crop, and subsistence and cash-crop management in one person, made rice a good crop for empowering landless peasants. The situation was enhanced by the relative abundance of land in the coast, which resulted in larger land parcels, more able to sustain a family. Agrarian reform would be much less complex in such a situation, where the old rented parcels were large enough to serve as the new reform parcels. In the highlands, agrarian reform planners considered most existing plots too small, so that reform usually required plans for consolidation of plots; consolidation measures were explicitly required in the most recent agrarian reform legislation, Decree 941 of September 1974. The need to consolidate parcels, however, was a seriously complicating factor for agrarian reform, a complication that did not exist on the coast.

In contrast to much of coastal agriculture, rice was an annual rather than perennial crop. The institutional structures surrounding perennial crop production are more conducive to income concentration than in the case of annuals. The bananas, coffee, cacao, and fruit trees of the Ecuadorean coast, like all perennials,

pose barriers to entry into production by small farmers. The trees require the investment of capital, and considerable time elapses before that investment bears fruit. Since small farmers are universally discriminated against in credit institutions, the perennial crop undertaking is even more difficult because of the problem of obtaining financing. For annual crops, at least, the small farmer can often get short term credit at the bank.

The structural impediments to perennial crop production are even greater for tenant farmers, as opposed to small farmowners The investment requirement of the perennial crop often results in a system whereby landlords manage perennial crops and peasants manage the annual, subsistence crops--though this was often not the case on the Ecuadorean coast. When the peasant does not manage the cash crop, the production he is in charge of does not take him into the market; or the landowner employs salaried agricultural laborers, to whom no land-cultivation rights are given. Where the tenant is allowed to plant and own his trees, however, the situation is fraught with difficulties that block improvement. His long-term investment in the land makes it costly to him to go against the wishes of the landlord, because he has much more to lose, if evicted, than a farmer of annual crops.

Financial institutions inadvertently favor the planting of annual crops by tenant farmers as opposed to perennial crops.

Many such institutions will give credit to those without land title only on a short term basis; they will not finance their investments, such as tree planting, equipment, or other property improvements. The BNF, for example, was forced to give investment credit against its will to those PPEA rice coops with only provisional land title; on its own, the bank had been willing to give the coops only short term crop credit. Thus the tenant farmer planting an annual crop has some possibility of gaining access to institutional credit to finance his production; the tenant or small owner planting perennials usually does not.

The tenant farmer planting annuals may have more bargaining power with his landlord than the perennial tenant. If the former does not like the conditions of his tenancy, he can leave to work a new plot at the end of the year. This was particularly important in the Guayas basin, because land was in relative abundance; moving was a more real alternative than in the highlands, where unoccupied lands were scarce. Rice, in sum, offered more possibilities for advancement to small tenant farmers than the more common perennial crops of the coast. Rice was also the only important coastal crop with export potential that was not perennial.

That Guayas basin rice peasants accounted for the major part of rice production in the country tied them to the politics of

urban consumers. The political courting of urban consumers often goes against the interests of staple farmers, because it usually involves putting a ceiling on the price of these staples. By trying to keep staple prices low for their urban constituents, politicians thereby decrease the income of the staple farmer who is often less politically important. This is how it went in Ecuador as well; much of rice policy centers on ceiling prices which are now complained about continuously by rice farmers. (Until recently, official prices were favorable.)

In contrast to price measures designed to satisfy urban consumers of food staples, production measures taken with the urban consumer in mind benefit the farmer as well, because they are meant to evoke increases in production. In a country where rural producers and urban consumers are both of political importance, measures emphasizing production rather than price will be politically easier and of greater political value. At the least, such measures will not involve the political cost of alienating one group, as do price ceilings. Of course, production-stimulating measures for food staples will not be perceived by urban consumers as beneficial to them as are price ceilings. Nevertheless, political concessions on the production side of food staples can be a wise strategy where one feels impelled to give in to the rural producers, but does not want to alienate the urban consumers. Raising staple food

prices, though pleasing rural producers, would displease urban consumers.

Ecuadorean rice production had stagnated in the 1960s in face of rising rates of consumption. Rice qualified for special agrarian reform attention, then, because falling levels of production threatened to affect the welfare of the urban population, an important base of political support. If the official concern over rice related to the urban food supply, why weren't the more usual production-increasing measures undertaken--like subsidized credits or subsidized sale of inputs? Why agrarian reform?

Most of the country's rice was produced by peasant farmers on small plots, though large producers existed. Rice production in the Guayas, moreover, had not fallen prey to the myth of scale economies in agriculture, though this was one of the cases where the argument could have been made on the grounds of irrigation possibilities. Rice was even considered a peasant crop. "Give a peasant some land in the Guayas," people would say, "and he'll just go and plant rice." Such statements usually are derisive, implying that the peasant hurts himself, the ground, and the economy by planting one particular crop instead of, or in addition to, others. One hears such criticism, for example, with respect to the peasant "monoculture of corn" in the country's southern provinces. In the case of the Guayas basin and rice, however,

"the only thing the peasant knows how to do" happened to be considered desirable for the economy, at least as perceived by policymakers. It was assumed, in other words, that agrarian reform among Guayas rice peasants would bring with it an increase in production. Redistribution of wealth or the ending of social injustice could be secondary considerations.

It is remarkable that these assumptions were behind Ecuador's best agrarian reform legislation. The opposite contention has held sway in Latin America for years--i.e., that agrarian reform results in decreased production and is justifiable only on welfare grounds, at best. This assumption has provoked a decade of literature by pro-reform economists trying to disprove it. In the Guayas case, however, rice was apparently considered best produced just exactly as it had been. Hence the lack of agrarian reform could be seen as stifling this traditional production. In this setting, interestingly, agrarian reform meant a return to "business as usual," and not only social disruption and a redistribution of wealth. What was desired was, in a sense, a preservation of the status quo —a freeing up of the economy to continue what it had been doing in the past, rather than a radical break with the past.

The poorly implemented agrarian reform legislation of 1964 played a crucial role in keeping rice production from growing. It contained a provision that all tenants who could show four years

of occupancy by 1972 would have squatter's rights to possession. This provision, strangely unnoticed by both sides at the start, was like a time-bomb set for 1968. Predictably, as 1968 approached, landlords started to evict their tenants, or move them around. Along with peasant frustrations caused by the unfulfilled hopes of the 1964 law, these events led to a substantial disruption of rice production. All this made agrarian reform one of the only ways of getting back to business as usual. In sum, a land-tenancy structure that had worked for some time in production terms suddenly led to a decline in production when combined with the unmet expectations resulting from a weak agrarian law. This setting gave to agrarian reform an unprecedented economic respectability and attractiveness in the eyes of power-conserving politicians.

The greater conduciveness of the Ecuadorean coast to agrarian reform, compared to the highlands, is quite apart from the attractions that development planners find there—though both phenomena share some causal factors. Planners say that the coast is "easy" compared to the highlands and that highland agriculture will never be the focus of any "action." On the coast, they say, there is potential for export crops, lands are not yet fragmented like they are in the highlands, and opportunities for irrigation abound. There is enough flexibility in the arrangement of land

and people, in short, to permit substantial intervention in the environment by development projects. Looked at more closely, this preference for the coast reflects very strongly the culture of development assistance organizations, and should be evaluated in this light.

Much of the assistance literature on Ecuador's coast, and particularly in the Guayas basin, emphasizes the great potential for irrigated agriculture, or proposes specific irrigation projects. There has been little actual irrigation development to date, compared to the amount of it proposed, but the picture of an investmentworthy coast has rested to a considerable extent on the vision of irrigation. Even if the belief in the future of the coast has not yet brought the amount of outside investment that one would expect, it certainly has contributed to the exclusion of the highlands from these grandiose plans. The highlands are characterized as beyond redemption, developed to death by traditional methods of farming, social organization and land tenure.

The many possibilities for irrigation projects on the coast would make any neighboring area without such possibilities seem pale in comparison. Bringing irrigation to a region allows one to design an almost completely mechanical solution to its development problems. It is an eminently physical, as opposed to social, undertaking. One knows when the project will begin and

when it will end, one can tell immediately after completion whether it will function, and one knows the shape, cost and function of the materials to be used and where they can be obtained. The main uncertainties of such projects involve prices and not people--except for the institutional capacity of the irrigation authority. Thinking about Guayas basin development, in short, can stay pretty well within the familiar world of a technological solution that has general properties known the world over. As conceived by most assistance planners, moreover, irrigation is a capital-intensive project; it is at home in the capital-abundant, labor-scarce economies in which these development professionals are trained.

The Guayas basin, in a sense, is a developed-world technician's dream. It is unpopulated enough to accommodate generally applicable engineering solutions to problems, but it has enough settlement, history, locational advantages and good soils so that it does not require an all-out attack on all development fronts. It is the happy medium between the dense population and long history of the highlands, and the complete virginity and isolation of colonization areas such as those on the eastern slopes of the Andes. On the one hand, the coast can accommodate engineering solutions without requiring major changes in traditions of production, landholding, or social organization.

On the other, it is better than the tradition-free colonization areas, which cannot count on only one big infrastructure investment to get them going.

Both highlands and virgin areas seem to require massive assaults to get anywhere: the highlands, on social, production and landholding patterns--and the colonization areas, on every infrastructural front one can think of. In both cases, moreover, it is likely that no one knows the proper sequence of development steps in advance, or whether the assault will work in the first place. In the Guayas, in contrast, what needs to be done seems relatively easy: one kind of project, with a known cost, technology and mode of proceeding. In this kind of environment it is harder to make mistakes than in the highlands.

In addition to irrigation, there is another common theme in development assistance thinking about the Ecuadorean coast: the proposal of perennial crops that will have good export markets, such as oil palms. To a certain extent, it almost goes without saying that development planners will come away from tropical regions with tales of fantastic potential for perennial crops with great export value. AID's Agricultural Diversification loan is one result of such tales. For various reasons, and in various countries, many of these export dreams have not come true. But one of the reasons they abound in development organizations, and

attract planners to regions like the Ecuadorean coast instead of its highlands, is similar to that for irrigation.

Perennial crop projects fit much better the planning and implementation modalities of assistance organizations than do annual crops and other agricultural projects. Like irrigation, perennial crops are investment-intensive projects. Much of the funding covers a once-for-all expenditure at the beginning of the project's life, the results of which can be counted with the eye. Investment in the trees is a high enough portion of total costs to allow one to have a substantial impact on the activity by dealing with only those expenditures. Finally, perennial crop projects, like irrigation, involve the starting of something new. Though farmers may already have planted perennials, the project is likely to involve considerable new planting of trees. Such projects, in short, do not have to meet the social and economic environment halfway, as they do when they intrude themselves into an ongoing system of annual crops.

The one large AID-funded coast project involving an annual crop, rice, turned out to have a profile very similar to that described here for perennial crops. Though the project was conceived of as involving rice and cooperatives, its execution and pacing were very much determined by the installation of irrigation systems for each coop. The building of irrigation infrastructure determined

that a good share of project funds would be taken up with investment in a visible product. Moreover, irrigation required such changes in existing production relations that it created a kind of tabula rasa in the project environment. The irrigation aspect of the PPEA project, interestingly, played a minor role in its original conception. It was as if the project, given the chance, was naturally drawn toward its physical investment component. That made it more workable to its executors, both foreign and domestic, because of the greater control it provided over the project environment.

For development organizations, the highlands offer much less opportunity than the coast for "easy" projects like irrigation or perennial crops. The opportunities that exist for such projects in the highlands would require much more embedding in the environment than they do on the coast. The visual beauty of the cultivated mountainsides of the highlands reflects an extreme economizing on the use of land by means of abundant labor. With the state of the arts already so highly developed, it is difficult to think of technological interventions that can improve things significantly. The extension of a helping hand into this environment cannot take the form of a well-defined physical object that relates to the environment with certainty and control. Rather, one has to contend with a highly developed system of production,

and social and market relations, against which a technical solutio will most likely grate. It will be difficult to relate a project to existing efficiencies in factor use in the highlands, since these efficiencies are based on such different relative factor proportions than those that gave rise to most modern technology. Development assistance in this setting will involve taking much of what exists as given, not to be introduced by the project.

In the highlands, agricultural projects similar to those of the coast and concerning smaller farmers first have to resolve a series of structural problems involving the distribution of land and access to credit and marketing. On the coast, few such problems entangle agricultural projects. Land is abundant enough that projects involving better-off farmers do not impinge on the lands of the poor; and small farmers have larger parcels than in the highlands, so they fit better into the design of the kinds of agricultural projects produced by development organizations. The agricultural projects of development organizations, in short, can reach further down into the income distribution in a place like the coast than in the highlands. Planners thus put the highlands in a double bind when they consider it for agricultural projects. On the one hand, the minifundio is considered too small to work with; on the other, that which is required to create a more workable land distribution is considered too radical and

too outside one's realm of operation. Both sides of the bind reflect the affinity of project designers for easier environments like that of the coast.

One way out of the bind is to take the minifundio as given, and estimate the kinds of changes that would provide a family with sufficient income. The answer might lie in a combination of off-farm income, access to credit, improved marketing facilities, and credit for land purchases that enlarge small parcels. Whatever the result, this approach to the problem is much more complex than starting out with a land size considered optimum, as on the coast, and projecting a good amount of the activity that will take place there. In the highlands, in sum, there is no technology, no physical structure, that can order the configuration of the project —as irrigation did for the PPEA.

The process of integrating project and environment that is necessary in the highlands requires a good deal of learning about that environment. One has to understand the way things are done, so as to know how to mesh the project with its environment. This commitment to learning as part of project design implies a validation of the way people do things. It implies a commitment to enhance existing methods rather than a determination to place new designs on the environment. This attribution of worth to the way people arrange their productive lives cannot be taken for

granted among development organizations working in the Andean highlands, both foreign and domestic. To the contrary, as noted above, contempt for the Indian peasant is widespread. Though many peasant farmers are mestizo rather than Indian, one cannot depend on a rural development that is discriminatory. As mestizo migration to the coast continues, with Indians staying behind, the policy emphasis on the coast could inadvertently become a policy of racial neglect.

It is true, then, that the highlands are "difficult" and the coast is "easy." But not for the reasons that development designers say. It is not that the highlands offers no opportunities, that it is played out and has no more agricultural resources. The relative endowment of human and natural resources in the highlands, rather, is quite different from that of the coast. Highlands projects require a giving up of certainty and concreteness, rather than professionals well-trained in certain technologies. The coast's endowment makes for an easier fitting for the agriculture projects of development organizations--projects that cannot be set down in the highlands so easily.

To abandon the highlands for the coast is a comment more on the poverty of development organizations than on the resource poverty of the highlands. One cannot blame an organization for specializing in what it does best. But this decision should be

recognized for what it is, rather than as a comment on the development potential of a region. To abandon the highlands as too difficult is to give up on the task of doing something about rural poverty, because that is the way poverty often manifests itself in less developed countries.

The irony of the emphasis on the coast as opposed to the highlands is that approaches to the latter may be much less costly. Since one is dealing in the highlands with much older systems of production, marketing and transport, the changes to be made may be more marginal than the "easier" changes projected for the coast. For example, substantial improvements in irrigation might be achieved by promoting a proliferation of groups like the water user associations, or hitching such groups up to the government irrigation authority. Such a project would take much less capital and much more thinking out, more experimentation and false starts, than one of the large-scale irrigation projects proposed for the coast.

It is no wonder that development organizations shun this kind of uncertainty and prefer to live with the more comfortable solutions of the coast. But this is to give up as worthless an established system of agriculture, to admit that one's role in rural development must be limited to places where tried and true projects can be undertaken. It is to deny the learning process embodied in the history of AID-financed coop projects evaluated in this paper.

IV - Summary

The impetus for AID's small farmer programs in Ecuador and other countries was, to a considerable extent, the result of pressures of U.S. cooperative contractor organizations and U.S. congressmen. The history of the resulting programs, starting in the early 1960s and continuing to this day, provides a comprehensive and varied picture of different approaches to assisting small farmer organizations. The Ecuadorean program was chosen for evaluation in order to take advantage of the lessons to be learned from such a rich history of institutional involvement. The programs evaluated were the following:

1. The Directed Agricultural Production Credit program (DAPC). The credit union federation (FECOAC), set up with AID grant assistance in 1963, has been the recipient of US$1.2 million in grant assistance over a 12-year period. The DAPC program was one of the objects of this assistance, which is scheduled to end by 1976. The contractor for the FECOAC project was Credit Union National (CUNA).

2. The Cooperative Bank of Ecuador. The Bank was set up in 1965 with an AID seed capital loan of US$1.2 million, and received another AID loan of the same amount in 1969. Grant

technical assistance was also provided by AID to the bank, with the Cooperative League of the USA (CLUSA) as contractor. The grant assistance was suspended in 1973 at the bank's request.

3. Rice coop program and FENACOOPARR. With grant assistance and the coop contractor CLUSA, AID promoted the organizing of rice coops in the Guayas basin in 1968 and the organization of a rice coop federation, FENACOOPARR, in 1970. AID assistance terminated in 1973, at a level of 85% budget support, at FENACOOPARR's request.

4. The Program for the Promotion of Agricultural Enterprises (PPEA). In 1970, AID authorized a US$3.6 million loan for agricultural credit to the FENACOOPARR rice coops. After several changes in design, the loan program began operation in 1972, and is run by a semi-autonomous office created for this purpose in the Ministry of Agriculture. The program also received grant technical assistance funds.

5. Marketing coops and CREA. In 1970, AID entered into a US$389,000 grant agreement with CREA, the southern regional development authority, to promote the organization of marketing coops and to form a cooperative department in CREA. The International Development Foundation (IDF) was the contractor for an initial 18-month period, and AID did not renew the project agreement.

Federación de Cooperativas de Ahorro y Crédito (FECOAC). The credit union system in Ecuador amounts to a decentralized financial network that provides substantial access to the small farmer, in a way that many official small farmer credit programs have not been able to achieve. The directed agricultural credit program (DAPC) has been less successful in its "directed" aspects--i.e., technical assistance to the small farmer, supervision of his use of credit, and promotion of the use of modern inputs. Despite AID singling out of the DAPC program for special attention, moreover, both DAPC and non-DAPC farmers accounted for only 12% of credit union membership in 1974 and 8% of credit balances (Table III). These farmers and their credit represented no more than a few percentage points of the target population in Ecuador and of total official credit to agriculture. In relation to the amount of resources invested by AID in this program, however, its small farmer credit shows up as quite significant. Total levels of credit, numbers of farmer borrowers, and credit per farmer is greater in the FECOAC program, in relation to the amount of AID funds spent, than in any of AID's Ecuadorean programs (Table XV).

The data for the DAPC credit unions, strangely enough, show them to be no different from the rural credit unions that did not benefit from the program--not even in terms of amounts of credit (Table IV). There is, however, one curious exception.

Livestock credit is significantly larger for the DAPC unions, as well as the size of the average livestock loan (Table VII). This means either that the DAPC has made the unusual accomplishmen of distributing livestock credit equitably or, as is often the case, that a few better-off members are getting large loans. Since FECOAC does not maintain data on size distribution of loans, it is not possible to clarify the question.

Various considerations explain why the DAPC turned out to be much less significant than it could have been. As an organizational form, the credit union was best suited to an urban environment. For this and other reasons, there were many in FECOAC and CUNA, the credit union contractor, who disagreed with the decision to favor small farmer members. The credit union, moreover, was suited to providing just plain credit, and was experienced at this task. It might have done better with small farmers if it had continued with this single purpose, instead of being remodeled by CUNA and AID into a multipurpose institution with the panoply of extra functions that goes along with a supervised credit program.

Though the FECOAC system would have been an excellent conduit for official credit funds to small farmers, it was never the benefactor of such funds or favor. This was partially brought about by AID, CUNA and FECOAC themselves, in that they

preferred to maintain considerable distance from the public sector. It also reflected a shift in AID favor from one coop contractor (CUNA) to another (CLUSA), and the corresponding promotion of new agricultural coops to the neglect of the existing DAPC system. As a part of this shift, credit union farmers were neglected by the Cooperative Bank after 1970, even though the intention of AID's second Coop Bank loan was to promote agricultural credit for small farmers.

Despite its problems and limited significance, the credit union system showed some novel achievements. Credit unions did not attract many large farmers, an important attribute because large farmers often muscle their way into small farmer credit programs. The system also gave credit access to many farmers without title to their land, in an environment where those without land title were virtually without access to institutional credit. Many rural credit unions, moreover, made credit available to tenant farmers for land purchase; land credit was not available elsewhere. The credit unions were also able to disburse their credit according to the timing requirements of the planting season, something that most official small farm credit programs, including the more lavishly funded PPEA, have not been able to achieve. Some rural unions, moreover, showed the capacity to mobilize substantial rural savings, from nonmembers as well as

members. This was an almost inadvertent development, and FECOAC did not exploit its substantial potential for mobilizing rural savings (pp. 199-206). Finally, credit unions played an important role as brokers for peasants in obtaining acc ss to institutions removed from them by space and class. This was possible because the rural credit unions were run by local elites, and not by small farmers (pp. 251-260).

The Cooperative Bank of Ecuador. The Coop Bank received less attention in this evaluation than the other programs and most of the attention was directed to the relationship between the bank and the credit union system. AID's decision to finance the creation of a cooperative bank in Ecuador was influenced by rivalries between U.S. cooperative organizations over who would get what share of AID financing for coop projects--rivalries that continue to this day. Though AID's Coop Bank loans were intended to increase small producer credit, the bank lent heavily in consumer credit (Table VIII). By 1974, for example, Coop Bank loans to credit unions were almost four times greater in the category of consumer credit than in agricultural credit (Table IX).

The AID mission had pressured the bank to extend itself to the "risky" agricultural coops rather than limit itself to the "safe" credit unions. In making this shift, however, the

bank sacrificed the agricultural credit unions, rather than the very large share of consumer credit that it supplied to credit unions. The result of AID pressure to "lend to agriculture," then, was a decline of eight percentage points in the total shares of agricultural lending of the Coop Bank, though lending to agricultural coops increased markedly (Table VIII). In avoiding the more difficult and risky small farmer credit, the bank was shying away from precisely the type of credit needs that, according to the AID loan justification, it was set up to meet.

Credit unions were the Coop Bank's major source of capital and major borrowers, especially in the early years. The bank charged a 10% forced capitalization on its loans, which was later lowered to 4%. FECOAC, which got the credit unions into borrowing shape, did not get any return on Coop Bank lending to its affiliates. Though FECOAC supplied the technical assistance to enable these credit unions to borrow at the bank, it was the bank and not FECOAC that was able to finance itself from this activity. A 1.5% administration charge on the value of the Coop Bank's lending to credit unions in 1974, for example, would have generated the level of budget support to FECOAC that was provided by AID in that year. Whereas AID was funding agricultural credit unions in its grant program, then, it chose <u>not</u> to support that program in its capital projects, when the opportunity arose.

The latter kind of support might have made FECOAC's success in getting credit to the small farmer more significant than it was. It also might have helped avert the federation's self sufficiency problems, which required the extension of AID support beyond projected termination dates.

In attempting to provide small farmer credit through groups, AID has financed both coop banks and supervised credit departments in credit union federations. Despite this experience, and the importance of this issue in decisions being taken now, the agency has no comparative evaluation of the two approaches. Further evaluation of the Coop Bank's ability to service small farmer coops and credit unions is necessary, especially in light of the current interest in an inter-American cooperative bank and in the regional credit union confederation, COLAC.

Federación de Cooperativas Arroceras (FENACOOPARR). In the late 1960s, AID sponsored a program to organize rice peasants into cooperatives, of which FENACOOPARR was an outgrowth. The political and social impact of this successful experience was unusual for an AID coop program. What is left of the experience in AID files and memories, however, is mostly criticism of FENACOOPARR on other grounds--mostly having to do with bookkeeping and unbusinesslike behavior. Regardless of the accuracy of these criticisms, AID has not yet decided whether it was able to handle this unusual

case of "organizing the peasants to help themselves." If the issue is considered as such, then the agency may decide that (1) its other efforts to help the peasants organize into coops are pale in comparison to this one, and that (2) it cannot handle the political involvement of this type of grassroots organizing. If the agency wants to "stay out of politics," then it may not be able to organize peasants successfully, as it says it is doing in its coop programs. An alternative is for the agency to work on other institutional levels.

The FENACOOPARR experience illustrates a common type of conflict that arises between recipient institutions and AID or its coop contractors. AID and contractors emphasize self-financing, income-earning roles for the coop federations. The federations, like FENACOOPARR, often want to engage in promotional activities and not charge for services. There is something incompatible between the gaining of peasant allegiance by a federation--a promotional activity--and the self-financing activities of a more businesslike, commercial organization. The conflict of interest between promotion of the peasant's interests and of the organization comes up especially in marketing organizations like FENACOOPARR. Making the demands on coop members that a commercial cooperative organization must make is incompatible, at certain stages of organizational growth, with

the winning of political allegiance from peasants. For marketing organizations empower themselves through retained earnings and differentials between the prices at which they buy and sell member produce, and thus organizational success can be contradictory with benefits to members. An organization that resists the move to marketing and more commercial behavior, like FENACOOPARR, may be acting out of legitimate survival instincts. In the AID-FENACOOPARR case, moreover, an institution was set up to organize peasants to make land claims under agrarian reform laws, and encountered substantial opposition from landowners. In such circumstances, an organization is engaging in political activity and not running a business.

The conflict that characterized the AID/CLUSA-FENACOOPARR relationship led to FENACOOPARR's refusal to renew the agreement with AID. The conflict may also have been a healthy sign that the organization had its own strong conception of how to go about things, and was not afraid of termination of AID assistance. These latter qualities may be at least as important for institutional and political survival as are the bookkeeping and other businesslike behaviors that AID and CLUSA found lacking. Long years of compatibility between a recipient institution and AID can also be a sign of weakness in the recipient institution, as well as of correct bookkeeping.

Disagreement by the recipient with AID or the contractor can be important to an organization's maintenance of political power and credibility in its own environment. It can be a sign of the political survival instinct in operation rather than of real disagreement. AID needs to recognize this and either tolerate a certain level of unpleasantness, or design projects that minimize the contacts over which conflict occurs, or the types of institutional relations that are avenues of conflict. Conflict based on politiçal survival instincts, moreover, is more likely to occur over projects with political significance, since important people with careers at stake will be involved. To require the close relationships characteristic of AID's coop programs, then, may be to accept a very low level of political and economic significance for these programs.

The FENACOOPARR experience shows that a coop program can gain considerable power by helping peasants to meet their desires for land. But this desire was looked upon by AID as a disappointing motive for joining coops, not a source of power. The issue is an important one, and further discussion is reserved for the section on land acquisition desires.

Programa para Promoción de Empresas Agrícolas (PPEA). The PPEA was markedly different from AID's other coop programs in Ecuador.

Credit per coop and per farmer were significantly greater (Table XV). In contrast to FECOAC and FENACOOPARR, the coop-sponsoring organization was given power over credit allocation and the ability to finance some of its operational expenses from credit charges. Involvement of AID and contractor personnel was severely limited, in contrast to the other programs. The coop-sponsoring organization, the PPEA office, was a public sector one, and not a private coop federation as in the other cases. It provided its services free of charge, and did not have to "live off" its coops financially like the other organizations. Finally, the program started out with the goal of doing something physical and big--the introduction of irrigation and the resultant move from singlecropping to doublecropping. The PPEA's newly organized coops jumped right into their investment programs, and recently landless peons took on large amounts of debt. The program tended to organizational problems after, whereas AID's other coop programs emphasized coop organization first. This pace and sequence of events has been the source of criticism of the program. It may, however, account for its ultimate success.

Irrigation was significant in shaping the PPEA program. The infrastructure-building task provided specific goals with built-in deadlines determined by the crop cycle. Much of the program was dependent on the increased output to result from

the move from singlecropping to doublecropping. With everything so dependent on a physical structure that would take a known period of time to put in place, the possibilities for things to go wrong were limited in comparison to the longer time periods of AID's other agricultural coop projects. Finally, the irrigation investment was a large, costly and visible part of the program. This imbued the program with considerable political import, and helped it get the official favor it needed.

Like FECOAC, FENACOOPARR, and the Coop Bank, the PPEA reflected AID's tendency to create new organizations instead of using existing ones. In fact, one of the neglected "existing" organizations in this case was an AID-created one—the rice coop federation, FENACOOPARR. AID's desire to create in the PPEA an organization with a totally fresh start resulted in two somewhat parallel, rather than complementary, AID-created institutions in the same small region, the Guayas basin--and for the same crop, rice. Needless to say, institutional rivalry developed between the two groups, making cooperation between them less and less feasible. The creation of the PPEA to channel credit to many of the rice coops created by FENACOOPARR--involving as it did considerable overshadowing of FENACOOPARR--bears considerable resemblance to AID's creation of the Coop Bank to channel credit to FECOAC's credit unions. AID did not cut in

FENACOOPARR, that is, on any of the power inherent in the PPEA's credit allocation and interest charges. FECOAC and FENACOOPARR helped bring coops into existence, in other words, but were not programmed to earn anything from AID's credit projects--even though both federations had self sufficiency problems that were of concern to AID.

The success of the PPEA so far is much less related to its cooperative mold than to the fact that it represents a massive injection of subsidized credit and infrastructure by a favored government entity over a short period of time. Because of AID's commitment to the cooperative ideology and its discomfort with highly subsidized and controlled government programs, it does not recognize that the breadth of subsidization and government sponsorship account for the program's success so far—and not the cooperative mold. Excessive adherence to the cooperative design at this point may end up strangling this success. Many PPEA coops, for example, have problems enforcing work obligations and normal bookkeeping and audit practices. The self-policing that the program is trying to make into the coop's responsibility, in order to deal with these problems, may end up destroying group cohesion rather than building it. The audit mentality, that is, requires a kind of "institutionalized suspicion" that is alien to the culture in which the program operates.

The desire for land is what brought the PPEA groups together. But it is being confused with the ability and desire of these farmers to cooperate and organize in a much more complex and permanent way. The time and tasks needed for evolution from land acquisition grouping activities to a PPEA-type coop are much greater and complex than allowed for. After all, one of the strengths of the program is that it gave the peasant what he wanted before demanding complex cooperation, in contrast to most of AID's coop programs. To expect the cooperative to take form and take over immediately after this deed is unrealistic. The audit function, for example, might better be exercised by an authority outside the coop rather than, as in most coop programs, looked at as something to be taught to coop groups. Problems of auditing and policing might also be dealt with by minimizing coop tasks that are intensive in auditing and policing--e.g., the communal plot and credit repayment. The program might establish a more direct relation, for example, between the coop farmer and the credit institution.

Centro de Reconversión Económica del Azuay, Cañar y Morona Santiago (CREA). CREA was a small and somewhat forgotten project which had an interesting post-AID history. It was the only coop

project in Ecuador where AID created a program within an established organization--i.e., the cooperative department of CREA, whose AID-financed budget was an insignificant proportion of CREA's total budget. This contrasts with AID's usual practice of creating whole organizations from scratch or resuscitating failing ones. The CREA project was also the shortest AID coop project in Ecuador--18 months. Yet it had one of the better records for standing on its own after AID withdrawal, being taken over 100% by the parent organization and expanded. Given the self sufficiency problems of other AID-supported coop programs, this was an achievement in institutional development. Finally, the CREA project was the only case of a contractor not based in the U.S. coop movement; the IDF was a community development firm. And it was the only case where AID, rather than the recipient, had constant conflicts with the contractor.

Some of the aspects of the CREA project suggest that AID might do better to concentrate its small farmer programs on the empowerment of existing organizations with a proven interest in small farmers. Successful organizing in the field, moreover, seems to go far beyond AID's willingness to become involved in structural change, as suggested above in the case of the rice coops. Finally, certain institutional goals of difficult accomplishment, like self sufficiency, require

approaches that are completely unrelated to those directed at the problem itself--in this case, agricultural poverty.

In contrast to all other AID-financed coop organizations, the CREA coop program was a small part of a larger organization involved in various regional development activities. In such a multipurpose organization, the program did not have to put up with the stalling, the lack of cooperation and the institutional rivalry that occurs when these complementary functions are lodged in other ministries or public sector institutions--the kind of problems encountered by the PPEA with credit disbursement delays of the agrarian reform agency. In addition, existence of infrastructure and cooperative community development departments in the same organization made it possible for the infrastructure department to take more advantage of local decisionmaking potential.

CREA was the only coop project in Ecuador where the sponsoring organization played an intermediary role in arranging contracts for its coops with food processing firms. Placing CREA rather than the coops at the forefront of these arrangements resulted in less monopsony power by the processing firm over the coop. As an established public sector entity, CREA was a more equal match for these firms than fledgling coops of poor farmers. Grouping the farmers of the CREA projects into coops, as projected in AID's project design, turned out <u>not</u> to give them power--

because of their lack of production volume and business skills.

Most coop marketing operations financed by AID, as in the case of CREA, have not been able to pay the intermediary's price, let alone more, and still come out in the black. Yet AID's marketing programs have been based on the assumption that intermediaries are charging scalper's prices and that all one needs is the good will of a coop to make marketing margins fall and farmgate prices rise. Coop supply stores are usually promoted under the same assumption—i.e., that they will charge "fairer" prices. Yet most supply stores of AID coop programs in Ecuador charged prevailing prices.

AID needs to collect simple data on whether the coop supply and marketing operations it finances actually do sell at lower (or buy at higher) prices, or on whether they bring about a change in a locality's prices through competition. Data should also be collected on whether such operations provide a return to the coop. Supply operations and marketing operations, moreover, should be evaluated for their beneficial effects on nonmembers--their external benefits. The cases of successful supply and marketing operations among the Ecuador coops showed a very high percentage of nonmember clientele. This suggests (1) external benefits, (2) a measure of the operation's ability to compete in the market, and (3) that nonmember clientele were an important

way for the coop to achieve scale economies. Nonmember participation, however, also conflicts with the emphasis in cooperative regulations on limiting benefits to members, as discussed below.

One reason that CREA and other coop supply operations ended up selling at prevailing prices was that the coop and coop promoters saw these operations more as a way to raise income for the cooperative than as a means of supplying benefits to members--despite all the rhetoric about good will. If the coop supply operation is an income-earning operation rather than a price-reducing one, then it should be justified according to different criteria. One needs to determine what kinds of income-earning activities are simplest for an unskilled organization and will make the least demands on its limited business experience. The question has not been raised in AID, because these operations have always been justified according to their price-changing potential. Stores, for example, may be an easier first step for a coop than marketing. Thus though CREA had failed in setting up marketing coops as prescribed by AID, it proceeded along another path, helping its coops in the less demanding tasks of setting up and running stores. In general, more attention should be paid to the attributes of the task planned for a coop, rather than just the goal that the task serves.

As an unusual case of institutional survival after

premature AID withdrawal, the CREA experience merits further study. The evolution of the organization after AID and the contractor leave the scene is of utmost interest, for this is the time to learn about how recipient institutions stand on their own. AID evaluation should cover this post-withdrawal stage.

Performance Goals: Numbers. Most of the performance goals for AID's coop programs involved the number of individuals and cooperatives belonging to the coop-sponsoring organization, and the rate at which they were all growing. This emphasis on numerical descriptions of the organization involved a neglect of the impact of coops on the welfare of members and nonmembers. The impact question, in turn, was neglected in decisionmaking about financing new coop projects. There are some kinds of impact data that are less difficult to gather or maintain than the bookkeeping and audit demands placed regularly by AID on its recipient organizations. Before and after the setting up of a coop store, for example, it would not be difficult to assay prevailing prices in a small town. This would help check the time-honored justification that such operations break the monopolistic power of the private storeowner. As another example, AID should ask for regular reporting on earnings, sales volumes and prices of individual coop supply and marketing operations. This information can be checked

against the assumption in AID program justification that coop supply stores can spread external benefits through lower prices and can still come out in the black; or that they bring about lower prices by introducing competition into small communities. Finally, size distributions of loans to small farmers should be maintained. This is an easy way of finding out if the cooperative form of organization results in more equal distribution of benefits within a group, as is assumed in AID coop programs. In many cases, there is strong evidence in the other direction.

The pressure on coop programs to come up with numbers often forces them to spread their technical assistance resources too thin, accumulating too many coops, many of which cannot function. Perhaps projects should be designed in a "pilot project" sequence—lavishing as much on each coop's initial stage as was lavished on favored pilot projects like FECOAC's Santa Teresita and PPEA's San Felipe—and then moving on. This approach violates the "numbers" standard, however, and for this reason may never have been seriously considered. It should be.

Performance Standards: Self Sufficiency. "Numbers" and "self sufficiency" were paired as matching goals of AID coop programs. Self sufficiency referred to the ability of coop-sponsoring organizations to be financially independent, by charging dues and for services. The design of AID coop programs, however,

carried serious disincentives to self sufficiency. There is little reason for a supported institution to become self sufficient until termination of AID support is a fact. Any progress in earning one's own revenue is often perceived by the recipient as running the risk of a counterbalancing reduction of AID support—similar to the work disincentives of the U.S. welfare system. The contractor also has a logical reason to be uninterested in the self sufficiency of the assisted organization: it could mean the termination of a contract relationship. Under this type of disincentive system, the evaluation of AID-sponsored coop organizations should begin, ideally, at the time of AID withdrawal.

The built-in disincentives to self sufficiency help explain why conflict often exists about promotional as opposed to income-earning activities--AID and the contractor pushing for the latter. With AID budget support, any rational organization would want to engage in activities that it might never be able to afford as a self-financing entity--i.e., promotion and proselytization through the provision of free services. What organization trying to gain strength would not take the unusual AID-granted opportunity to provide free services as a way of luring member coops to its ranks?

Self Sufficiency and Charging for Services. By going along with the coop contractors' prime emphasis on federation, AID has prevented itself from asking whether federation-supplied services to small farmer organizations should be charged for in the first place, and what is the best organizational form in which to supply them. Because the reason for charges was to insure the financial viability of the federation, the question of whether small farmers should receive these services subsidized never got to be considered. In AID's non-federation coop projects--the PPEA and CREA--these exact same services were supplied as subsidies, free of charge. Similarly, no questions were raised as to whether they should be paid for.

Some services and goods are more chargeable than others, a criterion that should enter into the decision of what an organization should provide and what it should charge for. The coop federations got stuck with a group of services as a means of financial support that were among the most difficult to charge for --mainly, technical assistance in cooperative organization and bookkeeping, in agriculture, and dues. Credit, land and water, as contrasting examples, were much easier to charge for in Ecuador and were desired by peasants, another unconsidered dimension. But AID gave the power to charge for these services to other organizations--the Coop Bank and the PPEA.

Self Sufficiency and the Private Sector Approach. As a result of the emphasis on self sufficiency and charging, AID has not taken much note of the success stories of individual coops in cases where the federation was not able to "live off" this success through dues and charges. The emphasis on self sufficiency also results in the neglect of important non-financial aspects of self sufficiency--mainly, the interrelations of the organization with institutions holding power. AID and its coop contractors have been so committed to "the private sector approach," and so determined to free themselves of the institutional problems of developing country environments, that they often created organizations with lots of freedom and little power. This meant that their programs were not as significant as they might have been.

Self Sufficiency and the Mobilization of Rural Savings. In contrast to supervised agricultural credit, savings was an organizational activity at which the credit union movement was quite experienced. Neither AID, CUNA, nor FECOAC pushed the system anywhere near its capacity, however, as a potentially powerful mobilizer of rural savings for agricultural development. The credit union system might have been made more significantly "agricultural" if it had been more aggressive in promoting rural savings, instead of trying to become agricultural with a directed credit program.

Smallness, Economies of Scale, and Coop Associations. Coops often form along natural lines that make them very small, homogeneous, and unrelated to nearby groups. Animosity to "the foreigner" or other groups, moreover, is often an important part of this homogeneity. All these attributes provide opportunities for groups to form and grow and for otherwise disparate individuals to create viable organizations. The attributes are optimal, in short, from an organizational point of view. But they may be suboptimal, and are usually pointed to as such in AID evaluations, from an economic point of view.

Economies of scale have been one of the principal justifications of AID's coop programs, especially in marketing. That smallness has benefits, however, means that there are diseconomies of scale when one adds an organizational dimension to the economic perspective. With the economic justification of scale for AID coop programs, and the numbers criterion of performance, there was little chance that smallness and separateness would be seen as functional by AID program designers. AID should consider the cohesion of smallness and rivalry as resources to work with and not as the explanation for program failure. That coop activities promoted by AID often require large numbers and inter-group cooperation, like marketing and federations, may explain more than anything else why these programs have not been

that successful.

There may be ways for small farmers to approach scale benefits that demand less inter-organizational cooperation than coop federations. Small unconnected coops could be given access to benefits like credit, for example, in ways that would not require inter-organizational cooperation or allegiance to a federation.

Irrigation and Group Formation. The separate and small irrigation systems of the PPEA and of the water user associations of the highlands provide a technology around which small farmer groups can form. The complex irrigation projects now being planned for the Guayas basin, in contrast, may take away one of the few technologies around which small farmers have successfully organized the world over. The PPEA, moreover, did not take advantage of the organizing potential of irrigation for small farmers. More responsibility for the design and execution of the irrigation works might have been given to the individual coops. There is an opportunity to do this in the mission's new IRL (Improvement of Rural Life) project.

Infrastructure Projects and Decentralized Decisionmaking. The design and execution of the PPEA irrigation projects resulted in an initial group experience for some of these coops that proved them powerless. This led to group dissension instead

of cohesion. It showed that, contrary to program rhetoric, group action could produce undesirable results. These types of problems might be avoided in the future by taking into account the proneness to graft and incompetence of projects that let out many small contracts for public works, and by allowing more group participation in design and execution.

A good part of the PPEA farmer income during the initial period was dependent on the vagaries of weather and contractor competence. If coop members had been employed as workers on the irrigation projects, this dependence could have been lessened considerably.

It has been found that community organizations that start with infrastructure projects are likely to do better than those that jump immediately into more complex cooperative activities. With such an evolutionary view of small farmer organizations, tasks and functions can be looked at as not necessarily permanent or having to serve program objectives. In this light, small infrastructure projects are good first tasks for potential coop groups and not, as projected in the IRL project, something to get funds for after proving oneself good at being a cooperative. AID's coop programs have not usually involved these less difficult, group building tasks. When designing coop programs, however, it is important to ask

what kinds of tasks will help create viable organizations, and not only what benefits can coops provide to the small farmer.

Impermanent Groups, the Desire for Land, and Agrarian Reform. The assumption that it is necessary to group farmers into coops in order to help them needs to be questioned. The desire for land has led peasants to form groups which, though sometimes temporary, facilitated considerable distribution of land to the landless. Though this was at least as important a goal of AID programs as coop formation, AID evaluations often berated the land acquisition motive: the peasant "didn't care" about the coop as soon as he got his land. In general, spontaneous and temporary groupings to achieve limited and immediate objectives are not uncommon among peasants. Supporting these groups in simpler organizational forms could result in more successful and comprehensive outcomes. (It would also probably mean abandoning the coop contractors.) If a coop is viewed as empowering people with access to the system, moreover, it may be desirable as a temporary organization in some cases. Some coops, in short, should be planned with short life expectancies.

The cooperative is often presented as the only economic way to service an agrarian reform. But coop-based services are rarely forthcoming at the projected level after an agrarian reform. Assistance strategies should therefore try to mold

themselves to the short-termness of agrarian reform commitments, and to minimize the dependence of agrarian programs on long drawn-out support into the future. Working with temporary organizations fits this goal; embarking on a prolonged period of the building up of coop federations does not.

The Credit Union vs. the Agricultural Cooperative. The credit union has two advantages over the agricultural coop. It is a less demanding organizational form, requiring only cash as the price of its benefits and not cooperative behavior. And it does not require the same degree of social and economic homogeneity between membership and administration in order to assure equitable delivery of its benefits. The credit union, at the same time, can be seen as the strategy for a political environment where commitment to peasants is not up to the support required for agricultural coops.

Credit Union Elites. The credit union movement usually portrays itself as introducing democratic institutions into the developing country environment. What made the credit union movement work in the rural sector in Ecuador, however, was the fact that it was not democratically structured or run. "Rural" credit unions were run by local town elites. There was an important complementarity between town and farmer members that gave some advantage to small

farmers, and made the local organizations viable. In addition to distributing credit to small farmers, the rural-town credit union gave local elites the position and the incentive to act as brokers for peasant members. This helped provide peasant farmers with links to previously inaccessible power structures. If "credit union democracy" had existed in this environment, the system probably would not have done as well in distributing credit to peasants. The system worked more equitably in the distribution of credit, moreover, than the more centralized official small farmer credit program.

The Organization as Broker. CREA and the individual credit union played important brokerage roles for peasant farmers, which were not viewed by AID as goals or achievements of the programs. In the credit union case, substantial intermediation benefits to the small farmer were found to accrue from small-sized, dispersed decisionmaking units. In the case of CREA and marketing intermediation, these benefits were found to result from transferring the decisionmaking from the smaller coop unit to the larger coop-assisting organization.

Exclusion and External Benefits. The following attributes of coops are characterized in this study as advantageous to group cohesion and growth: smallness, adversity to other groups,

limited goals, patron-client relationships, inter-group rivalry, natural limits to growth in membership. These attributes, however, run contrary to AID's justification for cooperative programs--i.e., democracy, economies of scale, and significant coverage of the target population. As coop groups grow stronger, moreover, they have a tendency to adopt exclusivist measures--actions that make perfect sense for an organization that has grown past its promotional stage and wants to get better. In the pursuit of organizational success, in other words, it is natural that coop groups would become increasingly selective and thus limit the reach of their benefits. AID program success, however, requires just the opposite: an increasing spread of the benefits. AID's coop programs, in short, have been forced to pursue two contradictory goals.

As a way out of this dilemma, more of the burden for program success, in contrast to organizational success, should be put on the external benefits of a coop program--e.g., higher farmgate prices in a region, lower input prices, the attraction of public and private sector institutions to a locality, etc. If the external benefits of coop programs are given importance, then the program can be freed from the impossible pursuit of both good organizations and a spreading around of the benefits. AID should give priority to coop programs that show these

benefits, and should include measures of them in program performance. When a coop replaces a local monopolist intermediary, for example, and accounts for a substantial share of nonmember sales (or purchase) volume, it should be determined whether nonmembers are doing any better with the coop as monopolist than they were with the intermediary as monopolist. If they are not, then program goals were not achieved, even though organizational success was. The other way for AID to overcome the contradiction between program and organizational success in its coop program is to support programs of cooperativization of substantial sectors of the economy.

In general, the model coop does not look around for externally benefiting ways of doing things, since coops are not supposed to provide benefits to nonmembers. In fact, coops often deny themselves opportunities to achieve the kinds of scale economies they did with store sales to nonmembers, on the grounds that they are not supposed to service nonmembers. This type of denial, for example, was involved in the credit union system's failure to develop its savings potential as much as it could have. When the coop organization becomes an end rather than a means to small farmer improvement, as it did in AID's coop programs, then no one desires, demands or looks for external benefits.

Non-cooperative Groups and Institutionalized Contempt. AID's exclusive emphasis on the cooperative form of small farmer organization in Ecuador amounts to a policy of neglect of the wealth of indigenous groupings in the country. That AID took a technical assistance approach to small farmer organizations precluded the possibility that locally grown group forms would be seen as resources to work with. AID's programs have put these latter groups at a relative disadvantage, moreover, because of the favorable tax and other treatment achieved for coops as a result of AID assistance.

Non-cooperative spontaneous groups, like the water user associations, could serve as an institutional infrastructure for distributing public sector goods and assistance to small farmers. If such groups were selected as carriers of development assistance, however, there would be no need to supply expertise in organizing from outside the country. An alternative approach, suggested above for other reasons, would be to concentrate organizational expertise on making the connection between the Ecuadorean public sector organization and the already existing local groups.

Contempt for the Indian is characteristic of Ecuador and of its service institutions, as in many other countries. It

may therefore be wise to design assistance programs in a way that minimizes these personal interactions, which are conveyers of contempt. A program that channels goods and monies to stigmatized groups, rather than technical assistance, would meet the criterion of minimizing personal interaction. AID's programs are just the opposite: few goods and monies and all interrelations. The minimizing of interrelations was also recommended above, on other grounds.

CESA, a private organization in Ecuador, is working with peasant groups in a way that validates the strengths of exclusiveness discussed above. CESA stays away from the heterogeneous groupings of coop federations, characteristic of AID programs, on the grounds that such heterogeneity does not make for cohesiveness. It encourages group associations only where there is closeness or common traits--common crops, common participation in a local market, shared social customs, etc. AID might learn something about this approach by looking at CESA's programs, since they are directly contrary to the coop federation principle of grouping. CESA's rice coop program in the Guayas basin provides a rare opportunity for comparison with AID's two rice coop projects in the same region.

Financing the Coop: Marketing vs. Supply Operations. The fact that many more coop stores than marketing operations survived in AID coop programs suggests that stores are easier tasks for coops. If marketing operations are to achieve the necessary volume, it is necessary either to group individual coops or to achieve a significant volume of purchase from nonmembers. Since coop associations and the competing away of nonmembers from intermediaries usually involve a considerable amount of prior organizational success and sophistication, marketing seems inherently inconsistent with the first stages of a coop's development. The common failure of AID-sponsored coops in marketing may be more a case of unrealizable goals and a retreat to more realistic activities, such as stores, than anything else.

Stores may be more able to capture scale economies through nonmember participation than through marketing. The coop store, moreover, does not require the kind of cooperative behavior and allegiance that a marketing operation does. Thus the retreat from marketing to stores may represent a dividing up of the task of creating an organization into more digestible pieces, even though it is not acknowledged as such. Or it may represent coop stagnation and failure. AID should gather some data about the stores in its programs in order to determine if

they actually do enable a coop to grow and move toward more difficult tasks like marketing.

One of the reasons that stores require less cooperative behavior is that they limit training and responsibility to a few trusted members or paid employees. It is highly tempting for these few people, however, to put their new skills to more profitable use outside the coop, or against its interests. Infrastructure projects also minimize demands for organizational behavior but, in contrast to stores, they keep accomplishments dispersed enough among members that there is no possibility for individuals to take them away from the organization. AID's coop programs have not put any emphasis on coop-executed, small infrastructure projects, as noted above.

Financing the Coop: Communal Farming. The communal plot needs to be evaluated as a revenue-earning device for the coop, because that has been the main reason for its promotion by the PPEA. There are serious disincentives to working the communal plot in the mixed communal-individual system that characterizes many of the PPEA coops. Planting the same crop on the communal plot as on the individual plots (rice) makes communal work competitive with individual-plot work, rather than complementary to it. It exacerbates peak labor demands on the farmer. In the all-communal system, in contrast, there is no such high cost to the farmer

for participating in communal production.

Where communal farming has worked in Ecuador, a group work history of the new landowners often preceded the communal farming experience. For example, new communal landowners were sometimes ex-peons from the hacienda where they had previously pastured cattle in common; this was common in the mixed communal-individual highlands coops. Or the new owners were ex-laborers from the same plantation, used to working under central management; this was the case in the most successful and all-communal coop of the PPEA. In cases where the mixed system has worked, moreover, there has been complementarity between crops—the best case of complementarity being livestock grazing on communal land and crop production on individual land. The PPEA should try to introduce some complementarity between the operations on the communal and individual plots. Given the strong disincentives to the mixed system, the PPEA mixed cases that <u>did</u> work are a puzzle. It would be useful to find out more about the elements of these successes.

The PPEA program has made irrigation, spraying and mechanical plowing available to individual plots. This is an unusual achievement, since these benefits are usually thought to be indivisible and to accrue from scale. But this achievement in divisibility, along with planting the communal plot in the

same crop as the individual one, means that there is no technical or economic justification in the farmer's eyes for producing part of the product communally. This represents one more disincentive to the communal plot.

Both communal plots and stores were hit upon in AID programs as ways of providing some income to the coop. They did not have strong economic justifications nor were they indispensable to program goals. As self-financing approaches, the two were at opposite extremes in terms of the amount of cooperative behavior required: stores were the least demanding and mixed communal systems were the most. Before the communal plot can be a secure source of income for a coop, it needs to be integrated with group production in a way that gives it a more palpable reason for being, and makes communal work less costly for the individual farmer.

Coast vs. Highlands. Rice in the Guayas basin of Ecuador has an unusual story of agrarian reform. For various reasons, rice offered more possibilities for economic advancement and political aggressiveness to small tenant farmers than did other crops and other regions. Agrarian reform in the Guayas basin was seen, in a curious reverse of the usual situation, as a way of getting back to traditional methods of peasant production. These methods, disrupted by the evictions and invasions resulting from previous and inadequate agrarian reform legislation, were looked at as the

only way of providing urban consumers with the necessary supplies of a basic staple in their diet. Peasant rice production, in short, had important political ramifications. Though agrarian reform is often said by its opponents--and even its proponents--to result in a decrease in production, it was considered in this case as the way to bring about an increase in production.

The Ecuadorean coast has also been a preferred region for development assistance organizations, as well as for agrarian reform attention. The reports of these organizations portray the coast as "easy" compared to the highlands. On the coast, they say, there are myriad opportunities for export crops, lands are not fragmented and eroded, and opportunities for irrigation abound. This preference for the coast reflects very much the culture of development assistance organizations. The highlands is difficult, that is, because it involves dealing with an established tradition of small farm agriculture. To neglect it is to admit to an inability to deal with such systems in other countries. If this is the case, then AID should not be involved in small farmer programs.

References

AID/Ecuador. "Audit Report #1-518-73-90, Institutional Development - Agricultural Cooperatives." Project #518-11-995-096.1. 13 March 1973.

_____. "Ecuador - Agricultural Development and Diversification." Capital Assistance Paper, AID-DLC/P-912. 11 June 1970.

_____. "Ecuador - Cooperative Bank." Capital Assistance Paper, AID-LA/P-50. 1 June 1964.

_____. "Ecuador: Cooperative Bank - Second Loan." Capital Assistance Paper. AID-DLC/P-842. 20 June 1969.

_____. "Ecuador: Land Sale Guaranty." Capital Assistance Paper, AID-DLC/P-854. 24 June 1969.

_____. "Final Report, FECOAC-DAPC Program (5 Feb 1973 - 30 June 1974)." By Juan Alvarez. Unpaged.

_____. "Noncapital Project Paper (PROP): Institutional Development - Agricultural Cooperatives." Project No. 518-11-995-096.1, Revision No. 2. 22 October 1974.

_____. "Project Agreement (PRO AG) No. 74-9, Revision No. 7." Project No. 518-15-995-096.1. 14 May 1975.

_____. "Project Appraisal Report (PAR) for period 1/18/70 to 5/31/71, Institutional Development - Agricultural Marketing." Project No. 518-15-995-096.4. June 1971.

_____. "Project Appraisal Report (PAR) for period 7/17/71 to 2/18/73, Institutional Development - Agricultural Marketing Organizations." Project No. 518-15-995-096.4. 11 April 1973.

_____. "Statement Explaining Reason for Submission of PROP Revision No. 2 - Agricultural Cooperatives - Project 518-15-995-096.1." 22 October 1974.

AID/Ecuador/Capital Projects Division. "The Evolution of a Development Finance Mechanism in Ecuador." By Paul Fritz. 20 June 1973.

AID/Latin America Bureau/Sector Analysis Division. "Guatemala Farm Policy Analysis." Draft. By Samuel R. Daines. Analytical Working Document no. 10. December 1974.

AID/Office of the Auditor General, Area Auditor General - Latin America. "Audit Report No. 1-518-74-48, USAID/Ecuador, Agricultural Development." Development Loans 518-L-032 and 033, Project Number 518-11-190-051. 9 January 1974.

AID/Office of Development Programs. "Inter-Country Evaluation of AID Land Sale Guaranty Programs - Ecuador, Costa Rica." Draft Report. Program Evaluation Studies [July 1975]

AID/Office of Development Resources. "Review of Land Sale Guaranty Loan Project (510-1-032)." By Richard L. Hough. February 1974.

AID/Quito. "Airgram, Agricultural Marketing Organizations PROP, Project No. 518-15-995-096.4." TOAID A-100. 3 May 1971.

_____. "Airgram, Institutional Development - Agricultural Marketing Organizations PROP." TOAID A-364. 29 September 1969.

AID/Washington. "Airgram, Agricultural Marketing Organizations PROP." AIDTO A-125. 19 September 1970.

Anderson, D. Craig. "Irrigation Water Management in Ecuador." M.S. Thesis in Political Science, Utah State University, 1973.

Avilés Mora, Alfonso. "Estructura de la tenencia de la tierra en áreas arroceras." Quito, July 1968.

Banco de Cooperativas del Ecuador. X - Asamblea, 1975. Quito, Ecuador, 1975.

LIMITED OFFICIAL USE

Blankstein, Charles E. and Zuvekas, Clarence, Jr. "Agrarian Reform in Ecuador." Economic Development and Cultural Change 22 (October 1973): 73-94.

Brown, Marion R. "Agricultural 'Extension' in Chile: A Study of Institutional Transplantation." The Journal of Developing Areas 4 (January 1970): 197-210.

CLUSA. "Ecuador Agricultural Cooperative Development: Completion of Assignment Report." By Lewis A. Townsend. Task Order #12, CSD 267 and #4, CSD 2901. 17 January 1973.

_____. "Ecuador Agricultural Cooperative Development: Termination of Project Report, January 1966 - December 31, 1963." By Herman G. Obregon. Contract AID/csd-2901, Task Order no. 4.

_____. "Informe de viaje a las provincias de Imbabura y Carchi del 7 al 21 marzo de 1972." Memo to Lewis Townsend from Guillermo Freile, 15 March 1972.

_____. "Informe: Identificación de problemas y perspectivas del Banco de Cooperativas del Ecuador." By Gonzalo Sánchez Rivas. February 1971.

_____. "Informe semestral: Situación de FECOPAM y sus programas - Atividades del asesor Gonzalo Sánchez Rivas, Asesor de CLUSA en FECOPAM." 4 July 1973.

_____. "Projecto de formación de una cooperativa de suministros de insumos agrícolas en la provincia de Imbabura." N.d.

COLAC/LARO. "Aspectos que deben considerarse para el plan de coordenación entre SIDEFCOOP y COLAC en la organización de mecanismos de financiamento cooperativo en América Latina." 15 November 1971.

Comité Interamericano de Desarrollo Agrícola (CIDA). Tenencia de la Tierra y Desarrollo Socio-Económico del Sector Agrícola: Ecuador. Washington, D.C.: Unión Panamericana, Secretaría General de la Organización de los Estados Americanos, 1965.

CUNA. "A Report on the Development of a Pilot Project in Directed Agricultural Production Credit Through the 'Santa Teresita Ltda.' Credit Union at Julio Andrade, Carchi - Ecuador." By Percy Avram. Contract no. AID/CUNA csd - 236, Task Order no. 8. Quito, Ecuador, September 1965.

_____. "Ecuador: Final Report, 1971." 30 June 1971.

Davis, Jon P. "A Study of a Pilot Project in Directed Agricultural Production Credit." November 1969.

Development Alternatives, Inc. (DAI). "Strategies for Small Farmer Development: An Empirical Study of Rural Development Projects." A Report Prepared for the Agency for International Development under Contract no. AID/CM/ta-C-73-41. Washington, D.C., May 1975.

Dore, Ronald F. "Modern cooperatives in traditional communities." In Two Blades of Grass: Rural Cooperatives in Agricultural Modernization. Edited by Peter Worsley. Manchester, England: Manchester University Press, 1971.

Edel, Matthew D. "The Colombian Community Action Program: Costs and Benefits." Yale Economic Essays (Fall 1969): 3-55.

_____. "Community Action Programs and Agricultural Development: Reflections on the Colombian Experience." Seminar on Small Farmer Development Strategies, The Agricultural Development Council and the Ohio State University. Columbus, Ohio, 13-15 September 1971.

Encuesta Agropecuaria Nacional, 1968.

Fals Borda, Orlando. "Un Caso Trascendental de Colonialismo Intelectual: la Política Cooperativa en América." Chap. 7 of his Ciencia Propria y Colonialismo Intelectual, pp. 101-133. Mexico, D.F.: Editorial Nuestro Tiempo, 1970.

Feder, Ernest. "Counterreform." In Agrarian Problems and Peasant Movements in Latin America, pp. 173-224. Edited by Rodolfo Stavenhagen. Garden City, N.Y.: Doubleday Anchor Books, 1970.

Federación de Cooperativas de Ahorro y Credito (FECOAC). "Estudios de optimización del sistema de suministros de insumos agropecuarios para el sector cooperativo - Informe final." By Consultores Asociados Ecuatorianos. Quito, Ecuador, January 1975.

FENACOOPARR. Memoria Anual, 1973-1974.

Fernández, Iván; Ojeda, Lautaro; and Moncayo, Patricio. "Grupos Sociales Hegemónicos y Formas de Dominación Política en una Zona de la Costa Ecuatoriana." Ponencia Presentada al Décimo Primer Congreso Latinoamericano de Sociología (San Jose, Costa Rica, 8-13 July 1974). Quito, 1974.

Griffin, Keith. The Political Economy of Agrarian Change: An Essay on the Green Revolution. Cambridge, Mass.: Harvard University Press, 1974.

Heath, Dwight B. "New Patrons for Old: Changing Patron-Client Relationships in the Bolivian Yungas." Ethnology 12 (January 1973): 75-98.

Hunter, Guy. "Agricultural Administration and Institutions." Food Research Institute Studies 12, no. 3 (1973) 223-51.

Instituto Nacional de Investigaciones Agropecuarias (INIAP). "La Agricultura en Cifras." Boletín Técnico, no. 9, July 1974.

International Bank for Reconstruction and Development. "Agricultural Review - Ecuador." Washington, D.C., 22 July 1972. Report no. PA-92a.

International Development Services, Inc. "Analysis and Recommendations on the Agrarian Reform Program in Ecuador." By Keith Himebaugh, Frank V. Beck, and Lisa Lekis. AID contract #AID-518-162. 15 November 1966.

Keeler, R. Hayes; Mera, R. Rodrigo; and Cruz F., Roberto. "Evaluation of the Directed Agricultural Production Credit Program in Ecuador." In A.I.D. Spring Review of Small Farmer Credit. Vol. 14: Small Farmer Credit in Ecuador, no. SR 104. Washington, D.C.: Agency for International Development, 1973.

Landsberger, Henry and Cynthia Hewett de Alcantara. "From violence to pressure-group politics and cooperation: a Mexican case study." In Two Blades of Grass: Rural Cooperatives in Agricultural Modernization, pp. 293-346. Edited by Peter Worsley. Manchester, England: Manchester University Press, 1971.

Mellor, John W. The Economics of Agricultural Development. Ithaca, N.Y.: Cornell University Press, 1966.

Ministerio de Agricultura y Ganadería. "Estimación de la superficie cosechada y de la producción agrícola del Ecuador, 1962-1973." N.d.

Programa de Promoción de Empresas Agrícolas (PPEA). "Obligaciones pendientes, abonos realizados y montos de las renovaciones efectuadas por las diversas cooperativas que operan con el Programa de Promoción de Empresas Agrícolas." [November 1974]

Rice, E.B. Extension in the Andes: An Evaluation of Official U.S. Assistance to Agricultural Extension Services in Central and South America. Economic Monograph Series no. 8. Cambridge, Mass.: M.I.T. Press, 1974.

Saul, John S. "Marketing cooperatives in a developing country: the Tanzanian case." In Two Blades of Grass: Rural Cooperatives in Agricultural Modernization, pp. 347-70. Edited by Peter Worsley. Manchester, England: Manchester University Press, 1971.

Siffin, William J. "The Institution Building Perspective." In Institution Building: A Model for Applied Social Change, pp. 113-148. Edited by Thomas D. Woods, Harry R. Potter, William Land Miller, and Adrian F. Aveni. Cambridge, Mass.: Schenkman, 1972.

Tendler, Judith. "Peasants, Poverty and Banks in Northeast Brazil." Report to the World Bank on a Mission to Northeast Brazil in June 1974. September 1974.

Thomas, John D. "Rural Public Works and East Pakistan's Development." In Development Policy II - The Pakistan Experience. Edited by Walter P. Falcon and Gustav F. Papanek. Cambridge, Mass.: Harvard University Press, 1971.

Thompson, James D. Organizations in Action: Social Science Bases of Administrative Theory. New York: McGraw-Hill, 1967.

United Nations. Research Institute for Social Development. Cooperatives and Rural Development in Latin America: An Analytic Report. By Orlando Fals Borda. Vol. III of Rural Institutions and Planned Change. Geneva: United Nations, 1971.

_____. Rural Cooperatives and Planned Change in Africa: Case Studies. Vol. IV of Rural Institutions and Planned Change. Geneva: United Nations, 1972.

_____. Rural Cooperatives and Planned Change in Africa: An Analytical Overview. By Raymond Apthorpe. Vol. V of Rural Institutions and Planned Change. Geneva: United Nations, 1972.

U.S. Embassy/Quito. "Annual Agricultural Situation Report." 31 January 1975.

Zuvekas, Clarence, Jr. "Agrarian Reform in Ecuador: An Innovative Program Evaluated." Preliminary Draft. Moorhead State College, Minnesota, August 1974.

Table I

Credit Union Federation (FECOAC)
Selected Values, Year-end 1974
(sucre millions)

Type of credit union[a]	Credit Union		Members		Paid-in Capital		Savings balances		Loan balances		Loans granted	
	#	%	#	%	Value	%	Value	%	Value	%	Value	%
DAPC	28	12.3	17,489	19.7	2.1	9.5	55.7	15.6	65.7	17.0	62.7	13.0
Pre-DAPC	18	7.9	4,198	4.7	0.2	1.0	11.2	3.1	14.8	3.8	10.5	2.2
Other rural	29	12.8	6,513	7.3	0.4	1.9	18.6	5.2	18.3	4.7	25.5	5.3
Subtotal rural	75	33.0	28,200	31.7	2.7	12.4	85.6	23.9	98.8	25.5	98.7	20.5
Urban	152	67.0	60,777	60.3	19.1	88.0	271.4	76.0	287.4	74.4	382.4	79.5
Total	227	100.0	88,977	100.0	21.7	100.0	356.9	100.0	386.2	100.0	481.4	100.0

[a]DAPC stands for the 28 rural credit unions of the Directed Agricultural Credit Program of FECOAC; pre-DAPC is the 18 rural credit unions with which FECOAC is working in hopes that they can enter the DAPC program soon. "Rural" and "urban" credit unions are rough categorizations of FECOAC according to location and make-up of the membership. They are not mutually exclusive; in the "rural" unions of the DAPC and pre-DAPC, 60% of the membership is urban, i.e., non-farmer. Table III presents this data for farmer members only.

Source: Based on data from FECOAC.

Table II

Credit Union Federation (FECOAC)
Credit Balances by Use for DAPC and pre-DAPC Unions, Year-end 1974[a]
(sucre millions)

Type of union	Crop		Livestock		Artisan[b]		Business		Others[c]		Total	Crop/Lvstk		Non-farmer	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	Value	%	Value	%
DAPC	14.8	22.5	15.9	24.2	3.1	4.7	15.4	23.4	16.6	25.3	65.7	30.7	46.7	35.0	53.3
Pre-DAPC	7.4	50.0	1.2	8.1	0.8	5.4	2.5	16.9	2.8	18.9	14.8	8.6	58.5	6.1	41.5
Total	22.2	27.6	17.1	21.2	3.9	4.8	17.9	22.2	19.4	24.1	80.5	39.4	48.9	41.1	51.0

[a]Credit data is disaggregated only for these unions, which represent 24% of total membership and 21% of credit balances.

[b]Includes small industry.

[c]"Others" is comprised mostly of consumer credit.

Source: Based on data from FECOAC.

Table III

Credit Union Federation (FECOAC)
Share of Farmer Members in the System
(sucre millions)

	Farmer members	Farmer paid-in capital	Farmer savings balances	Farmer loan balances	Farmer loans granted[a]
DAPC	6,673	728.4	22,269.6	30,717.9	30,676.0
Pre-DAPC	1,837	115.4	5,507.4	8,635.0	5,144.7
Other rural[b]	2,553	149.8	7,714.7	8,933.8	12,452.7
Subtotal farmer	11,063	993.6	35,491.7	48,286.7	48,273.2
Total system	88,977	21,747.5	356,912.5	386,183.2	481,091.3
% farmers in system	12.4	4.6	9.9	12.5	10.0

[a]FECOAC does not break down loans granted into farmer and non-farmer credit categories, as it does for the loan balances of DAPC and pre-DAPC unions. This column's figures are therefore my estimates, obtained by applying the percentage of farmer credit in total loan balances of DAPC and pre-DAPC unions--48.9%—to the total for loans granted. (These latter totals are taken from Table I.)

[b]FECOAC does not break down the data from these other rural unions into farmer and other categories. I have therefore estimated the farmer amounts for these unions by applying the percentage farmer share of these categories in the DAPC and pre-DAPC unions to the total amounts for the other rural unions. This should introduce very little error, since the DAPC and pre-DAPC unions, from which I am taking the estimating percentages, account for 77% of the total membership of all three rural union categories, 85% of paid-in capital, 78% of the savings, 82% of loan balances, and 74% of loans granted.

Table IV

Credit Union Federation (FECOAC)
Comparison of Rural and Urban Shares, Year-end 1974
(percentages)

Category	Farmer and non-farmer shares[a] within credit unions				Total DAPC and pre-DAPC		Share of urban and rural unions[b] in total system	
	DAPC		pre-DAPC					
	Farmer	Non-farmer	Farmer	Non-farmer	Farmer	Non-farmer	Rural credit unions	Urban credit unions
No. of credit unions	(28 total)		(18 total)		(46 total)			
Members	38.2	61.8	43.8	56.2	39.2	60.8	32.2	67.8
Paid-in capital	35.4	64.6	53.7	46.3	36.0	64.0	31.7	68.3
Savings balances	40.0	60.0	49.0	51.0	41.5	58.5	12.4	87.6
Loan balances	46.7	53.3	58.5	41.5	48.9	51.1	24.0	76.0
Loans granted[c]	-	-	-	-	-	-	25.6	74.4
							20.5	79.5

[a]For the 46 DAPC and pre-DAPC credit unions, FECOAC breaks down its membership data into: farmers, artisans and small industry, business, and others. In this table, the last three categories are grouped into a non-farmer category. Not included here, for lack of data, are the 29 non-DAPC rural credit unions, which account for about 23% of the membership of rural unions.

[b]FECOAC designates credit unions as "urban" or "rural" according to their location and the dominant nature of their membership. The membership of "rural" unions, however, is about 60%, as shown in the table.

[c]FECOAC data on loans granted is not broken down by type of borrower or use.

Source: Based on data from FECOAC.

Table V

Credit Union Federation (FECOAC)
Farmer Credit Compared to Ecuadorean Agricultural Credit, 1974
(sucre millions)

	Crop/livestock Loans granted	FECOAC as % of others
FECOAC	48.3[a]	
Others[b]		
Central Bank	97.4	
BNF	1,803.2	2.7
Subtotal official banks	1,900.6	2.5
Private banks	1,140.0	4.2
Total other credit	3,040.6	1.6

[a]Based on data from FECOAC. FECOAC breaks down loan balances, but not loans granted, by farmer and non-farmer shares. I have therefore applied the farmer percentage of loan balances in the rural unions (48.9%) to the total figure for loans granted by the rural unions (S/98.7 million).

[b]Based on data from the Central Bank. As the Bank's data covers only January to October of 1974, I have increased it by 20% to make it comparable to the time span of the FECOAC data.

Table VI

Credit Union Federation (FECOAC)
Farmer Members as Percent of Small Farmers in Ecuador

	Number	FECOAC farmers as percent [a]
Number of farms, 1968[b]		
Below 5 hectares	470,347	2.4
Below 10 hectares	538,874	2.0
Below 20 hectares	575,102	1.9
Economically active rural population, 1965[c]		
Avg annual income below $230 (60% of population and 18% of income)	564,000	2.0
Avg annual income below $251 (70% of population and 23% of income)	658,000	1.7
Avg annual income below $331 (80% of population and 30% of income)	752,000	1.5
Number of small farmers, 1968[d]		
(60% of total farmers and 18% of income)	379,931	2.9
(70% of total farmers and 23% of income)	443,253	2.5
(80% of total farmers and 30% of income)	506,574	2.2

[a]FECOAC had 11,063 farmer members in 1974. Note that this number is compared to total farmer figures for 1965 and 1968. Between 1965 and 1974, the Ecuadorean population grew by 30.5%. I have not updated these latter figures so as to bias any error in the direction of overestimating, rather than underestimating, the FECOAC farmer share.

[b]Based on data from Encuesta Agropecuaria 1968, as reprinted in INIAP Boletín Técnico No. 9, Table 17. Farms include both owner-operated and non-owner-operated, i.e., owners, tenants, and sharecroppers, and mixtures of the various forms.

[c]Based on data from Junta de Planificación y Coordinación Económica, El desarrollo del Ecuador, 1970-1973, Libro segundo, Tomo I, Programas para el desarrollo, pp. A1-12; reprinted in INIAP Boletín Técnico No. 9, Table 36. Note that the average annual income levels specified in the categories are not per-capita, but per-economically-active-person in the rural sector. Income figures are in sucres in the source and converted to dollars at S/18.18 to the dollar.

[d]Based on data from INIAP Boletín Técnico No. 9, Table 16. The total from which these numbers are derived is the same as for Number of Farms (INIAP Table 17). INIAP Table 16 breaks the data down by type of tenancy (owner, tenant, cropper, etc.) instead of by farm size. I have reduced this farmer total by percentages corresponding to the income distribution information cited in footnote c above; I indicate the percentage of total farmers represented in each category.

Table VII

FECOAC and BNF
Average Loan Size and Livestock Credit Shares[a]
(sucre millions)

	Crop credit	No. crop loans	Avg. crop loan (sucres)	Livestock credit	No. livestock loans	Avg. livestock loans (sucres)	Total ag. credit	Livestock % of total
DAPC	14.8	2,631	5,625	15.9	1,954	8,137	30.7	51.8
pre-DAPC	7.5	1,012	7,411	1.2	215	5,581	8.6	13.6
BNF	699.7[b]	17,281[b]	40,490	412.0	9,064	45,454	1,111.7	37.1

[a]Data not strictly comparable because FECOAC data are 1974 year-end balances and BNF data are 1973 loans granted. Since most credit union lending periods do not exceed one year, less distortion than usual is introduced by deriving average loan sizes and percentage shares from credit balances instead of loans granted. The great discrepancy in average loan size, however, is partially due to this distortion; on the basis of comparable data, the discrepancy would be less.

[b]Includes S/82.1 million for agricultural machinery (778 loans) and S/41.0 million for agricultural land improvements (409 loans).

Source: Based on data from BNF and FECOAC.

Table VIII

Cooperative Bank of Ecuador
Loan Commitments by Type of Cooperative and Use, 1965-1974[a]
(current sucre millions)

	1965-1970		1971-1974		1974 only	
	Value	%	Value	%	Value	%
Type of coop						
Credit unions						
Consumer	32.3	35.7	82.0	37.1	22.8	32.2
Crops/Livestock	35.5	39.3	23.3	10.5	5.9	8.3
Services[b]	14.5	16.1	31.8	14.4	11.0	15.5
Subtotal	82.4	91.2	137.0	62.0	39.6	56.0
Other coops						
Crops/livestock	4.8	5.3	59.2	26.8	24.9	35.2
Industry/artisan	1.5	1.7	6.7	3.0	1.7	2.4
Consumer	-	-	2.8	1.3	-	-
Marketing	0.7	0.8	10.3	4.7	0.4	0.6
Others	0.9	1.0	4.9	2.2	4.1	5.8
Subtotal	7.9	8.8	84.0	38.0	31.2	44.0
Subtotal crops/lvstk	40.3	45.2	82.5	37.3	30.8	43.5
Grand total	90.3	100.0	221.0	100.0	70.8	100.0

[a]Changes in real values of credit not ascertainable from this table because data not corrected for inflation, which was not significant until the beginning of the current decade.

[b]Mainly bus and taxi credit unions.

Source: Based on data from Banco de Cooperativas del Ecuador, X - Asamblea, 1975, Table 3.

Table IX

Cooperative Bank of Ecuador
Credit Union Loan Commitments, Average Values, and Shares by Use, 1965-1974
(current sucre millions for loan values and current sucre thousands for average value)

Type of credit	1965-1970				1971-1974				1974 only			
	Value	%	No.	Avg. value	Value	%	No.	Avg. value	Value	%	No.	Avg. value
Consumer	32.3	40.0	164	197.1	82.0	59.8	164	499.7	22.8	57.6	43	530.2
Crops/Livestock	35.5	43.6	126	282.1	23.3	17.0	58	401.8	5.9	14.9	12	491.7
Services[a]	14.5	17.8	47	309.3	31.8	23.2	44	722.0	11.0	24.8	14	785.7
Total	81.4	100.0	337	241.5	137.0	100.0	266	515.1	39.6	100.0	69	573.9

[a] Mainly bus and taxi credit unions.

Source: Based on data from Banco de Cooperativas del Ecuador, X - Asamblea, 1975, Table 3.

Table X

Program for the Promotion of Agricultural Enterprises (PPEA)
Loans Granted and Number of Coops, Members, and Hectares, 1972-1974

Year	Loans granted (current sucre millions)				No. of coops	Hectares cultivated	No. of members
	Crop	Equipment	Investment[a]	Total			
1972	2.9	1.0	1.8	5.7	9	156	305
1973	15.6	4.3	10.4	30.3	20	2,033	700
1974	35.5	9.5	8.6	53.6	14	7,868	507
Total	54.0	14.8	20.8	89.6	43	10,057	1,512

Average landholding per member: 6.6 hectares.
Average coop membership: 35 per coop.

[a]For land leveling and irrigation construction

Source: Based on data from PPEA.

Table XI

Program for the Promotion of Agricultural Enterprises (PPEA) Cooperatives in Arrears with BNF, October 1974 (current sucre thousands)

No. of coop	Amount due (cum. to 10/74)	Arrears		Amount renewed
		Value	%	
1	1,917.2	969.9	50.6	1,444.0
2	636.1	491.2	77.2	333.0
3	545.9	510.0	93.4	510.0
4	1,119.8	468.0	41.8	468.0
5	1,226.4	1,185.9	96.7	1,186.0
6	1,924.0	1,424.0	74.0	1,400.0
7	769.3	620.7	80.7	620.7
8	1,581.5	595.6	37.7	595.6
9	2,109.7	1,423.2	67.5	1,420.0
10	1,399.6	1,000.0	71.4	1,000.0
11	1,884.8	1,984.8	105.3[a]	2,100.0
12[b]	633.5	714.2	112.7[a]	714.2
Total	15,747.8	11,387.4	72.3	11,801.4

[a]It is not clear why the arrears figure in these cases is greater than amounts due, unless interest due is included in the arrears figure and not in the amount due. I calculated my arrears figures from data on total value of loans that are in arrears, amounts due, and amounts paid. I was not able to verify from the PPEA whether interest was included in any of these figures; it seemed not to be.

[b]Loan made by Cooperative Bank.

Source: Based on data from PPEA.

Table XII

Southern Regional Development Authority (CREA)
Cooperatives Assisted by the Cooperative Department, Year-end 1974

	No. of coops		Membership	
	No.	%	No.	%
Agricultural	23[a]	32.9	983	26.9
Colonization	7	10.0	420	11.5
Subtotal Agricultural	30	42.9	1,403	38.4
Community development	9[b]		323	
Credit unions	2		1,090	
Housing	8		432	
Artisan	14		227	
Education	4		115	
Small industry	1		19	
Fishing	1[c]		25	
Transport	1[c]		18	
Subtotal other	40	57.1	2,249	61.6
Total	70	100.0	3,652	100.0

[a]Includes two pre-coops.

[b]Includes five pre-coops.

[c]Pre-coop.

Source: Based on data from CREA.

Table XIII

Southern Regional Development Authority (CREA)
Loans Granted to Cooperatives in 1974
(sucre thousands)

	CREA[a]		BNF		Coop bank		Others		Food firms		Total
	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
Agricultural	360.0	10	460.0	5	-	-	-	-	1,060.0	8	≥ 1,880
Other	640.0	13	0	0	-	-	-	-	0	0	≥ 640
Total	1,000.0	23	460.0	5	3,290.6[b]	6	237.5[c]	2	1,060.0[d]	8	6,048.1

[a] All these loans were for capitalization of coop input or household supply operations; they are five-year loans with no interest.

[b] I do not know how these loans were distributed between agricultural and other coops.

[c] S/137,500 Crédito Cooperativista "A.I.D."; S/100,000 private individuals. I do not know how these loans were distributed between agricultural and other coops.

[d] S/1,000,000 Molinas del Ecuador, for wheat milling; S/60,000 Alimentos Pick S.A., for tomato processing.

Source: Based on data from CREA.

Table XIII

Table XIV

Credit Union Federation (FECOAC)
Average Loan Balances for Farmer and Non-farmer Credit, Year-end 1974
(sucre millions for total balances and sucres for average balances)

	Crop/livestock			Artisan			Business			Others[a]		
	Loan bals.	No. loans	Avg. bals.	Loan bals.	No. loans	Avg. bals.	Loan bals.	No. loans	Avg. bals.	Loan bals.	No. loans	Avg. bals.
DAPC	30.7	4,585	6,696	3.1	540	5,741	15.4	1,777	8,666	16.6	3,174	5,2[illegible]
pre-DAPC	8.6	1,227	7,009	0.8	123	6,504	2.5	228	10,965	2.8	716	3,9[illegible]
Total	39.4	5,812	6,779	3.9	663	5,882	17.9	2,005	8,928	19.4	3,890	4,9[illegible]

[a]Mostly consumer credit.

Source: Based on data from FECOAC.

Table XV

AID-financed Coop Programs in Ecuador: Selected Values for 1974

Program	No. rural coops	No. farmer members	Agri. loans granted (sucre millions)	Credit per coop (sucre thousands)	Credit per farmer (sucres)	AID assistance[a] (US$ thousands)		No. of years
						Grant	Loan	
FECOAC[b]	75	11,063	48.3[c]	643.6	4,363	1,294.8[d]	-	12
Coop Bank[e]	125[f]	11,997[g]	30.8	246.4	2,567	-[h]	2,400.0	9
FENACOOPARR[j]	45[k]	2,957[ℓ]	n.a.	n.a.	n.a.	-[h]	-	5[m]
PPEA[n]	43	1,512	53.6	1,246.5	35,449	-[h]		[illegible]
CREA[p]	23	983	1.4[q]	61.7	1,444	389.0	-	[illegible].5

[a]Cumulative through 1974. Also includes amounts committed but not disbursed by the end of 1974.

[b]Based on data from Tables I and III.

[c]Estimate. See Table III, note a.

[d]Covers whole credit union system, not just rural credit unions, except for 1973-1975, when DAPC funding amounts to US$183,700 out of $383,760. The DAPC program is not broken out of the AID assistance data.

[e]Only agricultural coops and rural credit unions. Based on data from Table VIII and from Banco de Cooperativas del Ecuador, X - Asamblea, 1975. Quito, Ecuador, 1975, Table 1.

[f]Includes 63 agricultural coops, and an estimated 62 rural credit unions. The Coop Bank indicates total number of credit unions assisted (188), and gives no breakdown of rural and urban unions. Since this total number is 82.8% of the total number of credit unions, I have applied this percentage to the 75 rural credit unions of FECOAC to get an estimate of 62 as the number of rural credit unions assisted by the bank.

Table XV (continued)

[g]Estimated as above. I applied the 82.8% figure to the total rural membership estimate for FECOAC (11,063) to get 9,162. I estimated membership of agricultural coops at 45 for a total membership of 2,835.

[h]Data not yet obtained.

[j]Based on data from FENACOOPARR.

[k]Plus 25 additional groups with which FENACOOPARR is working.

[ℓ]Estimated from the membership figure for total number of groups (45 + 25).

[m]Includes three years of assistance to FENACOOPARR, and two previous years in organization of base-level rice coops.

[n]Based on data from Table X.

[o]Loan authorized in 1970 and program started functioning in 1972. Not yet fully disbursed.

[p]Based on data from Tables XII and XIII.

[q]Includes S/360,000 of capital credit from CREA to coops, mostly for capitalization of supply operations, and S/1,060,000 of crop credit to coop members from food processing firms. See Table XIII.

Table XVI

Rice Cooperative Federation (FENACOOPARR)
Costs and Returns from Rice Milling (February 1975)
(sucres)

	Cost per bag[a]		Return per bag[b]
Rice (official price)[c] Milling Transport Sacking[e]	300 10-12 3-5 3	Rice (official price)[d] Byproducts	325 10
Total cost[f]	316-320	Total return	335
		Net return[g] % return	15-19 5%-6%

[a]One bag = 200 lbs. of paddy rice, even though it is called a "quintal," which means hundredweight.

[b]Refers to the 200-lb. bag of paddy rice or a 112-lb. bag of milled rice. Two hundred lbs. of the paddy rice bought by FENACOOPARR yield 112 lbs. of milled rice. The rice is bought at 28° humidity, and brought down to 14° humidity for milling. Two lbs. of paddy rice are lost per degree of humidity reduction, meaning that the original 200-lb. sack of paddy rice is reduced to 172 lbs. when it is brought down to 14° humidity. The milling reduces the weight by another 60 lbs., yielding a total of 112 lbs. of milled rice from the original 200 lbs.

[c]FENACOOPARR sometimes had to pay up to S/340 per bag in times of high prices and inability to get voluntary sales at official prices from its coop affiliates.

[d]The official price is S/290 per quintal of milled rice (100 lbs.). This gives S/325 per 200-lb. bag of paddy rice or 112-lb. bag of milled rice.

[e]Sacks cost S/24 a bag and are used about eight times.

[f]This is a minimum, since there are also costs due to spoilage, rats, etc.

Table XVI (continued)

[g]The actual return is somewhat higher than this figure. FENACOOPARR has a contract to sell almost all its milled rice to the government (400,000 quintales in 1975). It must sell 80% of the government contract amount at the official price, but is allowed to sell the remaining 20% at the usually higher free market prices. In 1974, these prices ranged from S/307-S/340, in contrast to the official price of S/290. In addition, FENACOOPARR sells about 5% of its total production on the free market, outside the government contract. In total, then, it sells about 24% of its rice at prices higher than the S/325 return per 200-lb. bag indicated in the table.

Source: Based on unpublished data from FENACOOPARR.