

grassroots development

JOURNAL of the INTER-AMERICAN FOUNDATION

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PORTRAIT OF
A PEASANT LEADER

WORKER SELF-MANAGEMENT
IN PERU AND CHILE

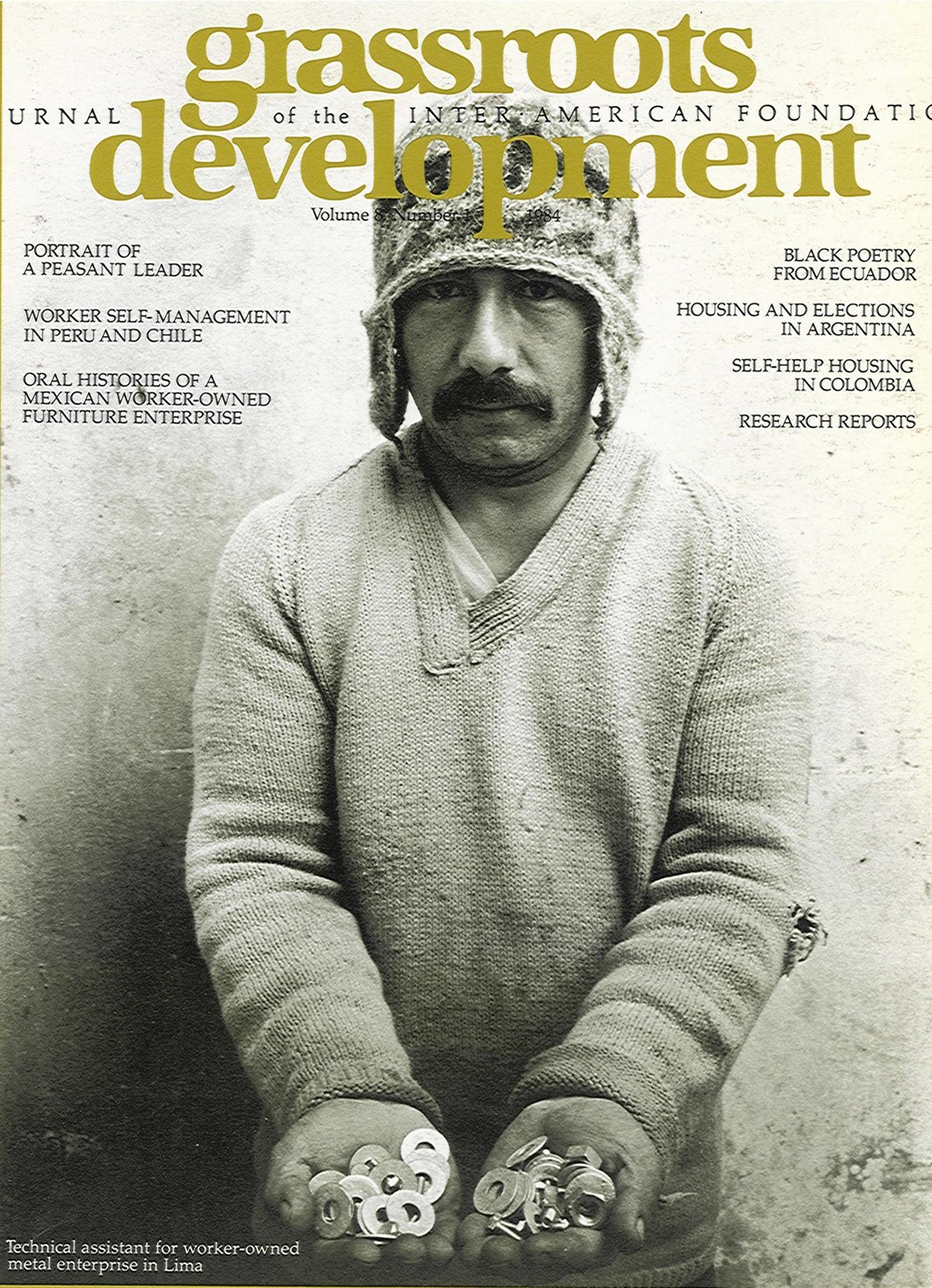
ORAL HISTORIES OF A
MEXICAN WORKER-OWNED
FURNITURE ENTERPRISE

BLACK POETRY
FROM ECUADOR

HOUSING AND ELECTIONS
IN ARGENTINA

SELF-HELP HOUSING
IN COLOMBIA

RESEARCH REPORTS



Technical assistant for worker-owned
metal enterprise in Lima

Grassroots Development is published twice a year in English and Spanish by the Inter-American Foundation. The journal reports how the poor in Latin America and the Caribbean organize and work to improve their lives. Its purpose is to explore how development assistance can more effectively contribute to self-help efforts.

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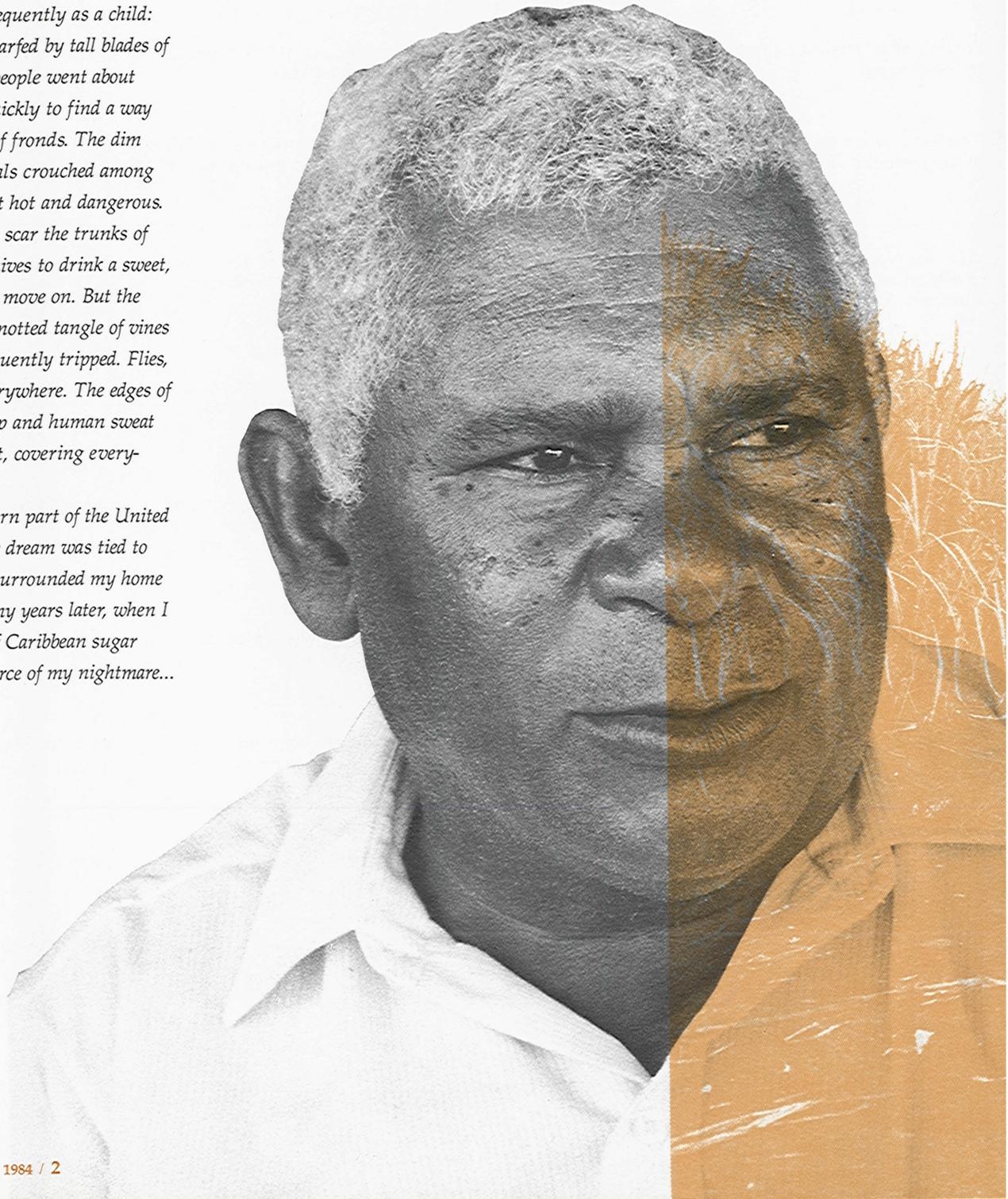
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Portrait of a peasant

The dream came to me frequently as a child: men and women were dwarfed by tall blades of green grass. Anxiously, people went about their business, moving quickly to find a way through the dense maze of fronds. The dim shapes of unknown animals crouched among the foliage, and the air felt hot and dangerous. Men would stop at times, scar the trunks of grass with long, sharp knives to drink a sweet, clear substance, and then move on. But the floor of the forest was a knotted tangle of vines and roots, and people frequently tripped. Flies, rats, and snakes were everywhere. The edges of the grass were razor sharp and human sweat mixed with blood and dirt, covering everything with a wet grime.

Living in the midwestern part of the United States, I used to think the dream was tied to the vast corn fields that surrounded my home town. It wasn't until many years later, when I first saw vast stretches of Caribbean sugar cane, that I knew the source of my nightmare...



leader: Ramon Aybar

STEPHEN VETTER

White, sweet, granular...sugar is synonymous with pleasure. Yet each tablespoon for the morning coffee—when you consider the life of the cane cutter who produces it and the land that grows it—should leave a bitter taste.

To see and understand sugar, take the road that leads from the capital city, Santo Domingo, to Rivera de Payabo, a small village in the central part of the Dominican Republic. First, you pass through the village of Yamasa. There, you find the high energy of a Dominican plaza: the many kinds of vegetables, fruits, and grains that are being muled in for sale in the market, the busy vendors and shoe-shine boys. Echoes of music and games seem to be everywhere. The walls of four different political party headquarters are covered with vividly painted posters and graffiti, creating an almost psychedelic effect. Yamasa is diverse, active, alive.

Along the first mile of road leaving Yamasa, you see peasant farmettes (*finquitas*) with mules, chickens, pigs, children, and family gardens (*conucos*). The tidy houses of thatch and mud are colorfully painted. Women, drawing easily on small cigars (*puros*), walk proudly down the lanes or stoop to hang their laundry on low bushes. It is like a Rousseau painting: deep greens blossom; and men, women, animals, and plants intertwine.

The cornucopia thins out quickly as the first outcroppings of the tall, green stalks of sugar cane appear. To make planting and harvesting easier, all other crops and vegetation have been removed. The land has been leveled, leaving the cane to propagate itself by extending its small, clawlike roots. Fifteen minutes from Yamasa and your eye is lost in a vast, monotonous sea of cane.

Following the road, you encounter the first *bateyes*—grim, gray barracks that house the cane workers. The low buildings stretch out parallel to the road. Some are made of block and appear newer and more comfortable, but most are old, wooden buildings with smudged, black interiors. Stooped, dark people sit on the

steps in idle boredom. For three years I have driven this road. Rarely have I seen anyone working in the fields.

From the 17th through the early part of the 20th centuries, sugar was called “white gold.” And sugar has done to many nations what gold did to small towns in the western United States: left them economically abandoned and broken. The Dominican Republic, like most Caribbean countries; has a great deal of acreage in cane. Only the best lands—where juice content is highest—are harvested, leaving the marginal lands uncut because world sugar prices are low. Over the past three years, even the “best” lands have not been good enough: sugar has sold from 9 to 11 cents a pound while costing approximately 16 cents a pound to produce.

I was surprised to find one of the more colorful and creative approaches to community development emerging here. But there it was—an island in the sea of cane—the Federation of Associations of Neighbors of Rivera de Payabo.

The federation is an organization of 10 associations of small rice producers, three women’s clubs, and one youth club. Most of the approximately 500 members are part-time employees on a large sugar estate managed by the government. These people live in the crowded *bateyes* and grow rice on lands too marshy for regular sugar production. Members organized the federation seven years ago to improve their income and to develop local job opportunities for their children, who were migrating to the cities.

What’s in a name? Associations of *campesinos* are found throughout the Dominican Republic. But you will probably not find another “association of *vecinos*”—or neighbors. The members of this particular group decided to call themselves “*vecinos*” rather than “*campesinos*” after considerable deliberation. To them, *campesino* suggests a person with “everything”: a small, simple house; a *conuco* to feed a family; and a rich choice of crops,

El Buen Vecino

trees, and animals to make a living. Campesinos are like the people who live in Yamasá.

The members of the Federation of Neighbors were once campesinos. Then, in 1953, the dictator Rafael Trujillo seized their lands for sugar production. The landscape was radically and rapidly reorganized: small farms were burned and bulldozed into one large plantation. Those who had lived on the land had to choose between migrating to the capital city or remaining to work the estate. By law, all lands were to be devoted exclusively to the production of sugar cane; no other crop could be planted—not even a family garden—without the permission of the estate manager.

It was an abrupt and startling change, one that threw lives into chaos. The physical landscape was transformed; people were crowded into bateyes; children who were to know no other life were born. The people who stayed found that their days as campesinos were over. What was left to them was a more modest possibility: to be just neighbors.

Education: from the Latin, *educere*, to lead out.

The president and founder of the federation is Ramon Aybar. A retired primary school teacher and a poet, Ramon was raised in the area, and he remembers well the time before sugar cane. Like many rural school teachers, his intelligence and training made him a natural community leader.

I first learned of Ramon by running across a copy of *El Buen Vecino*, a newspaper published by the federation. Usually such "peasant newspapers" have a politi-

cal party, a labor union, or a student organization behind them. But this was no ordinary newspaper. No other organization was in the wings. The paper published some of Ramon's poetry and articles about his fellow neighbors; in simple and direct terms, it admonished local readers to lead a good, moral life; and it offered suggestions for constructing latrines and community centers and for improving family diets. Intrigued, I wrote Ramon to discover more about the federation, and through an exchange of letters, we arranged our first meeting.

We set a day and agreed to meet at my hotel in Santo Domingo at 8 A.M. By 10 A.M. he had not arrived. Finally, the doorman informed me that an older man was waiting outside. When I went to look for him, I found a seemingly typical campesino. All deference and humility, Ramon apologized for his lateness. He had been waiting here for two hours, he said, since perhaps a man should not enter a hotel unless he was going to stay there. After I assured him that there was no problem, he removed his thin, rolled-rim hat and entered.

We walked past the swimming pool which was surrounded by partially-clad, pink-burned bodies lying on cots. Ramon quickly surveyed the scene, shook his head in dismay, and with a large smile asked why I was staying at a hospital. Why were grown men and women lying

around during working hours in the hot sun? Surely, they were ill. I tried to explain to him the idea of vacation as a reward for hard work. He could understand holidays, where people came together to celebrate; and he could understand school recess, when children and teachers returned home to work in the fields; but the idea of idle strangers coming together to lie in isolated silence around a sterilized pool brought a sparkle of amusement and disbelief to his eyes. This was as intriguing to him as the Federation of Neighbors was to me.

We sat and talked. Ramon's voice was animated, cadenced, poetic. Ideas flowed from metaphors in the clipped, hyphenated accent of the campo. We soon agreed that I would visit him in Rivera de Payabo the next week. This would be simple, he insisted: I would take a bus or drive to the capital city of Sabana Grande de Boyá where anyone could direct me to Rivera de Payabo. Ramon's conviction that he could be located so easily in the countryside was as assuring as his remoteness from the larger world was disconcerting.

To come to know Ramon Aybar is to come to know a place and a people. They are tied to him like skin to his body. Born there, and the father of 15 children, he can never describe himself without first explaining where and how he has lived and what has occurred in the region of Rivera de Payabo:





The *bateyes*, on the road to Rivera de Payabo.

Stephen Vetter

"I was born close to the village of Boyá. Not Sabana Grande de Boyá, but Boyá where the last Indians came to die. When I was young my father, Nuno, and my compadre placed me in school. You see, I wanted to learn to read and write. There I learned the basics—the written forms for Table, Mother loves me, Mule, things like that. But after three years—when I was 15, around the year 1938—my father brought me home to work in the mountains and hills around here because he was illiterate and didn't appreciate education. And he taught me to cut down trees. At that time, all of this area was a forest filled with animals. Some old people around here still remember the land the way it was in those years, people who still carry on their faces the battles with the authorities who brought the sugar plantations, people who are ignored by those who were born after the great evictions of 1953.

The campesinos of this area were called "*monteros*." They were skilled and agile men who raised cattle and kept pigs and chickens. Many wild boars lived in the forest, so each *montero* also kept dogs to hunt with. Just dogs and a knife or machete. There were many famous men in the trade: Mio, Profundo, Checo, Leopoldo, Frederico, and others. My father moved here because he wanted to hear his dogs bark, the partridges sing. He wanted to unravel the riddles spun by the

parakeet, the crow, and the parrot. There were so many birds and animals that the noise left you deaf!

In a short time, we had a ranch with a conuco. I spent my days taking care of the corn field....The Ará River, which is over there, which is the source of water for Payabo, passed by our conuco. Just imagine the fish and crabs and shrimps! The water was so alive that people were scared. My brother and I would fish and no one went hungry. It was a good life, and we lived in innocence. Like the Indian.

Every house would have fresh sweets made from honey, and the mountains were like beehives. It wasn't worth one single cent since there was so much of it, but we made our sweets and had wax for the candles that lit our homes at night.

The people who lived in this region worked hard. The place was so wild we all had to be great fence makers to keep the animals out of our conucos and homes. Because we had so much wood, we made strong fences: nothing unwanted could enter. And when we made these fences, we would organize work parties, which we called *convites*, among the men. And while we worked we sang.

We had our own folklore and culture. The drummers of the region were some of the best. On holiday nights, we would go from house to house, serenading and dancing.

This all changed when the dictator Trujillo decided to plant this land in sugar cane. It was horrible what he did, and we could never understand it. In 1953, his henchmen came, and they destroyed my father's house. My father lost everything, and ever since then, I have continued thinking about all that we lost. Everytime I see someone, I remember where they lived and the name of their village. And I try to point out where they lived, but all you see now is sugar.

So one day, the day of Saint Ramon, I was dreaming during the early morning: I was talking with a friend. 'Yesterday, over there in the village of Don Juan,' I said, 'See, over there....not there, but much further over.' But my friend didn't know what I was talking about. He had forgotten what the land was like before the sugar. And in the dream, there was a big meeting, with a lot of people, and they were talking about how we should organize ourselves. When I awoke, I decided to do something and called a meeting at the school.

We decided to start our first association, and we called it Amantes del Progreso (Lovers of Progress). Later, in Alto San Pedro, 49 members came together and formed Amigos del Bien (Friends of Well-Being). After that, I was invited to Cabeza de Toro, but it was so far away by mule that I told them I could not return. I assisted other communities to organize, and eventually we had seven. That is when we decided to organize the Federación de Asociaciones de Vecinos de Rivera de Payabo."

Morirse en el campo es más problema que estar vivo.

What can people do to help themselves when their land has been stolen? When they are forced to work on an estate regimented around a single task? When they have only limited mobility and income? When Ramon talks about organizing, he says that the first problem he encountered was lack of imagination. A dream had ignited his vision. But his neighbors (initially, at least) could see only the sugar cane that surrounded them. His job was to ignite their vision, showing them the possibilities that they themselves could not see.

Driving the sugar estate lands around Rivera de Payabo makes one more sympathetic toward the problem of stunted imagination. Cane has a way of erasing everything—trees, houses, roads, and hills—covering everything with a soft, rolling blanket of green.

Development: from the Latin *de* (dis-, apart) + from the French *voloper* (to wrap) = to unwrap or uncover.

Ramon looks out over the vast sugar lands, and his vision continually “uncovers” solutions, possibilities. Where a stranger might see a small, useless bog, he has seen a place to grow rice and catch crayfish. Ramon’s vision is a steady search for the positive, the good.

Outsiders will see deprivation in the bateyes; but he finds there the opportunity to develop community and neighborly ties. Ever alert for the gray clouds’ silver lining, he now argues that while true campesinos may have animals and crops, they—unlike the neighbors of Rivera de Payabo—suffer from the loneliness of living and working separated from many people.

The neighbors of Rivera de Payabo, however, are isolated from national development agencies. They have little access to training, credit, or public assistance.

What we need here, says Ramon, is something no less than a “perpetual motion machine” for social purposes. Ac-



ording to Ramon, a perpetual motion machine is something that scientists have long tried to build. Such a machine has never been built, but the attempt inspires, and sometimes, as scientists work, they develop other useful machines along the way. Over the years, Ramon and his neighbors have been tinkering away at their perpetual social motion machine.

The first problem that Ramon convinced his neighbors to tackle was one that doesn’t get a high priority among development planners—providing a decent funeral. As they say in the countryside, “*Morirse en el campo es más problema que estar vivo.*” (“To die in the countryside is even more of a problem than to live in it.”) Living on approximately \$700 a year, peasants rarely have the \$50 to \$200 available to cover funeral costs which can include providing food and drink to the mourners at a wake as well as purchasing a coffin and a grave.

It may seem ironic that a preoccupation with burial and death invigorated a community organization, but when one has little or nothing, dignity begins in being able to be buried properly. Thus, one of the federation’s first activities was to start a funeral society. The simplicity was remarkable. Each participating member pays in \$35 over time. When an adult dies in the home, the family is given \$50 to cover the expenses; when an adult dies away from home and is buried in another part of the country, the family is given only \$35 because the wake is less expensive. Children usually die in the home and the family receives \$35.

The society has 391 members and 45 members have been buried. A total of

\$1,333 has been disbursed to cover the cost of the funerals. There are no mortuary tables, projections, or records of how many die in or out of the house, but there never has been a deficit in the association fund. A first step was taken: the federation showed that something could be done.

The momentum of the social motion machine was maintained using *convites*—the tradition of pooling voluntary labor—to build communal centers, repair roads, cultivate fields, and build drying-sheds for rice.

As the federation grew, it began to tackle more complex problems. For instance, most members supplement their diets and incomes by cultivating rice in the swamp lands throughout the estate. These lands are available because they cannot be used for cane production. But once their families are fed, members have problems selling their crop at prices that represent a reasonable return on their labor, since intermediaries and local merchants buy at the lowest and sell at the highest possible price.

Ramon worked out a simple scheme whereby the federation would offer members mill and warehouse services for a low fee. Having taken the time to search out and visit other agricultural associations, he had seen a number of programs in action. The income from fees would go into a marketing fund which, as it grew, would allow the federation to provide “advances” for production costs such as seeds, fertilizer, and cultivation.

The federation tried to finance this program through loans and donations but was unsuccessful. Private banks were un-

Meeting of Rivera de Payabo neighbors



interested, and the agrarian bank made loans only for production, not marketing. In 1980 the Inter-American Foundation provided a grant of \$44,960 to purchase a rice mill, a small truck, and the materials to construct the warehouse and seven cement drying-areas for the rice. The federation covered part of the costs of the materials and contributed the voluntary labor to implement the project. Using convite, association members met on weekends and holidays and constructed the central warehouse in record time. Next they built the drying areas.

The marketing plan was simple in design and straightforward in execution, and Ramon thought he had found his perpetual motion machine. But flaws developed, one of which was almost fatal.

The marketing of rice in the Dominican Republic is strictly controlled through a national marketing board. By law, all rice must be sold through the state agency. Those who do not are punished by fine and imprisonment. The marketing board, however, does not always have money to

pay for the rice it buys, and must issue promissory notes. As a result, many producers sell in the black market to secure funds to cover their immediate costs. When the federation found that it would not receive cash for its rice, it attempted to sell at the local market. Ramon was jailed for two days, and the federation almost lost its truck.

As an alternative, the federation now cleans and dehulls rice but returns it to members who sell individually. The federation earns less, and members generally receive a lower price since they can no longer negotiate higher prices for large sales.

Although this marketing setback diminished the federation's return, income was generated that Ramon then channeled into another project. The federation is trying to reestablish pigs after the previous stock was destroyed in the African swine fever epidemic of 1979. Eating household garbage, demanding little attention, and serving as an emergency

savings account, hogs represent a relatively easy way to improve the lives of rural families.

Ramon had seen a number of projects organized by other associations and the Secretary of Agriculture. For its program, the federation combined its earnings with member contributions to buy eight sows and one boar. Using voluntary labor, the federation built a large pigpen behind the mill (which provides, as a by-product, rice hulls for feed) and has agreed to pay medical costs, such as vaccinations, for the swine. When sows birth, they usually give 7 to 14 piglets. Depending on the number born, the majority of the sows will be distributed to members who can demonstrate their capacity to adequately feed and house the pigs. Members, in turn, agree to return to the federation two females from the first litter. These females will be bred and their offspring will be distributed to other members. The federation retains and fattens the boars for eventual sale to help underwrite the project. Each participating member is left



with 5 to 12 pigs to eat, slaughter for market, or trade for other goods. If disease is controlled, theft held in check, the amorous interests of the boar kept high, and administration well managed, a *huracán de cerditos* should result.

In 1982, with earnings from the rice and the early returns on the hogs, the federation established a savings program. Currently the program has \$1,700 pesos (US\$1,150) in deposit. There are no banks in the area, so the cooperative plays an important role by offering members a line of credit. In addition, a small store was built next to the mill to offer basic agricultural commodities.

Refining his idea of a perpetual social motion machine, Ramon has inspired many of these programs to improve income and nutrition. But he has also played a vital role in representing his neighbors on non-economic issues of collective concern.

In 1966, before the federation was organized, crop dusters hired by the estate sprayed herbicides over the cane fields

and poisoned much of the water in the area. Seven people died, and many became ill. Ramon was just beginning his poetry career at that time, and he thought if word of what happened reached the right people, the spraying would stop. So he headed for a church-run radio station and brought national attention to the plight of his people by readings over the radio:

*Toy crop duster
spitting out
poisons that cover
our food. Now
people are asking
who wants to live
in Sabana de Boyá.
Neighbors just pick up
and abandon this land.*

Nonetheless, spraying accidents continued. The chemicals were wrong or were inadequately diluted; water systems

were contaminated; and the subsistence gardens and rice plots that were planted in the estate swamplands were ruined. Since prior warnings were not given, people in the fields often were doused along with the cane.

Words preserved the past, protested against the present, but they did not stop the poisoning of the land. Ramon's dream of an association of neighbors has been, as much as anything else, an attempt to extend the power of the word.

After the federation was organized, Ramon repeatedly set up meetings with officials to discuss the aerial spraying. Inevitably, the authorities would agree to reconsider the use of planes and administer the pesticides by hand. But every time a new administrator was appointed, the crop dusters took off, and the federation would have to confront the authorities once more. These confrontations took on new force as the federation began to acquire information from estate employees who knew when the planes were going to fly. Members of the federation would

gather and, armed with machetes, would hurry to block the runway of the depot.

Eventually, the estate officials were forced to deal with the federation's concern. The federation was not able to entirely prevent the aerial spraying, but the planes flew less frequently. The more dangerous chemicals were banned, and use of handsprayers was increased. No violence ever occurred in the confrontations over the spraying, but the federation was able to display—to the authorities and to its members—considerable determination and group solidarity. The organization was successful not only in challenging the authorities on their management of the estate, but in establishing limits on what was tolerable. As a result, many members now point with pride to this defense of their interests as an important victory for the federation.

Those who know Ramon often refer to him as a "natural leader." Often he and I talk of leadership. A leader, Ramon says, is someone who has the gift to inspire others.

Inspire: from the Latin *inspirare*, to breathe in.

Ramon tries to breathe into his neighbors a sense of expectation about themselves and their possibilities. A leader helps restore significance to the mundane.

While Ramon espouses a vision of pure community collaboration, his interaction with members often is surprising. A strict disciplinarian, he organizes and runs every formal meeting. On one occasion, I watched members wearing their machetes walk into the federation's meeting room; Ramon quickly reprimanded them for their poor manners, made them leave and hang their machetes outside. Some who have observed this behavior have characterized Ramon as a *patron*; others have pointed out that in the social life of the bateyes, a strong personality is needed for the basic order that is a precondition to accomplishing anything.

The leaders of the 10 associations, the youth club, and the women's clubs recog-

nize Ramon's importance. Leadership is one of the rarest of human resources. Strong leadership often means effective organization; the absence of leadership often means social chaos or futility. However, campesino associations and cooperatives often suffer from too much reliance on a single strong and charismatic leader, and Ramon's strength and effectiveness

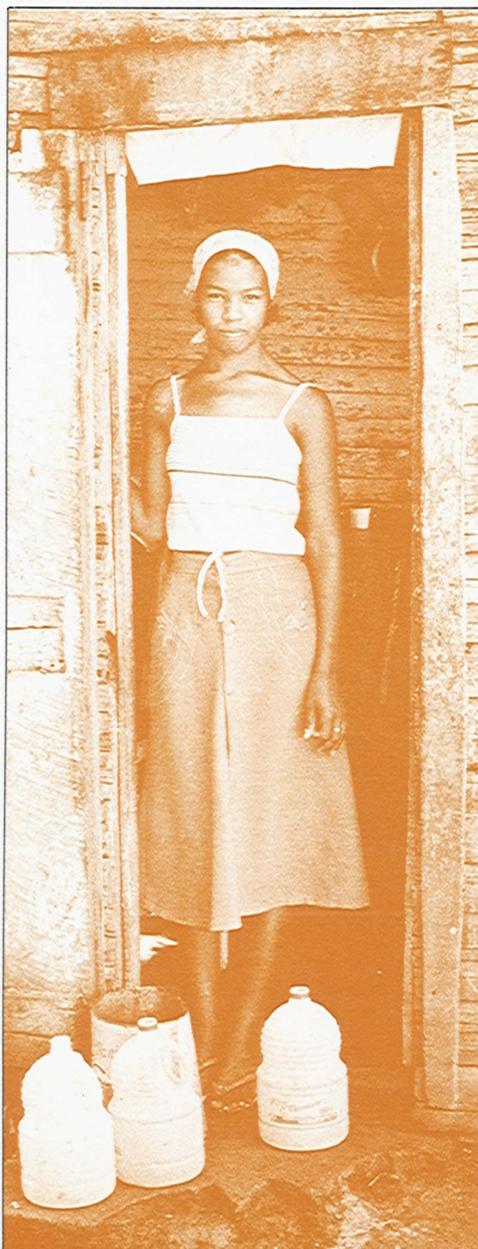
may also be his associations' weakness. Too much direction and decision-making come from one person. Many worry about the federation's future after Ramon steps down.

When this is brought to his attention, Ramon points to the president of each of the 10 associations and the presidents of the women's and youth clubs as the real leaders. Only time will tell, but it is perhaps significant that there are other associations which actively collaborate with the federation without being members. These groups want their own autonomy and independence, suggesting an awareness of the costs of a too dominant leader.

Whatever its drawbacks, Ramon's leadership cannot be divorced from his unique status in his community. As a teacher, he commands a respect that allows him easier access to estate and local political leaders. That access should not be confused with servility. Ramon has been willing to take risks in representing the members of the federation that others could not afford. Other leaders in the federation applaud his willingness to go to jail over the marketing plan and to speak out in opposition to spraying chemicals, implying that a leader protects his followers by staying out front.

And finally, Ramon's leadership depends not on his ability to command respect, but on the quality of his vision. In his writing, poetry, and drawing he captures a feeling and an understanding of Rivera de Payabo that is unique. He inspires, breathes imagination into his neighbors. And they do not underestimate how rare and important this is. One member pointed out that he "brings us enthusiasm and excitement about the future."

Member of local Mother's Club.



Stephen Vetter

Enthusiasm: from the Greek *en* (within) + *teos* (god or god force).

The Greeks may have been right when they identified those citizens who carried a special spirit as having some direct tie to their gods. I find it hard to begrudge the federation for having relied so heavily on Ramon, and I find it no surprise that he would turn to poetry, that pure extract of intense feeling, to help him express himself to his neighbors.

Considering the despoliation of the land, it is surprising that Ramon's poetry, dealing mainly with the flora and fauna of the area, does not dwell on that ravaging. In a very simple, straightforward way, he has written poems about a tree, a flower, a fruit, the roots of plants, a horse, his neighbors.

Through his reading, Ramon has learned a great deal about poetic structure, harmony, and rhythm. But above all, his poetry is the work of a folk artist in love with his people and land. And just as folk art seems to be that stuff without shadow, so Ramon's poetry and oral history holds no abiding anger. His oral history of the Rivera de Payabo recounts the burning of farms, the murder of people, and the slaughter of animals—all in the name of that sweet white gold, sugar. But that history is a folk epic: there is no conspiracy theory, no anger or outrage, no environmental manifesto, only the whims of fate.

When I listened to Ramon recount the tragedies that have befallen his home, I asked him why he didn't leave like many of the others. Why has Ramon, why have his neighbors, tried to do anything at all? Ramon returns the question: "If I leave, who will stay here to protect the land and my neighbors?"

The Spanish word *querencia* has no single-word equivalent in the English language. The word connotes a profound and abiding feeling for a place and its people. *Querencia* explains much of

Ramon Aybar's impossible, fatalistic optimism.

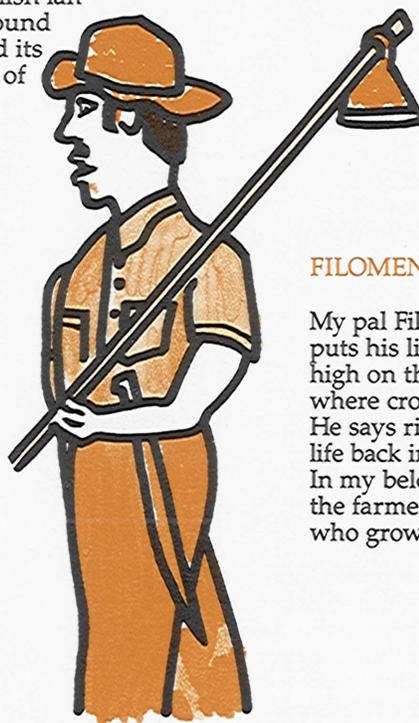
Recently, I tried to cheer him up by telling him what was happening to sugar in the world outside his home. Pepsi Cola had just signed a multimillion-dollar contract to buy a new synthetic sweetener, and Coca Cola had agreed to a high-fructose corn syrup which many experts feel will replace cane sugar within the decade. Two years ago, the U.S. ambassador to the Dominican Republic said in a speech to the Dominican Chamber of Commerce that sugar soon would no longer be an export crop and that Dominicans should consider farming other crops as quickly as possible. I told Ramon how ironic it would be if the world economy forced a return to diversified agriculture. Ramon smiled, but shrugged his shoulders. Such a dream would never occur in his lifetime.

Later, I remembered one of Ramon's sayings: "Whoever is not called upon to struggle is forgotten by God."



THE FLOWER

I sing to you
flower of soft petals
amid the buzzing
of birds, insects, a butterfly.
The stately bee
also sips your pure nectar.
Flower, you are beautiful
in your green skirt:
full-hipped, ripened.



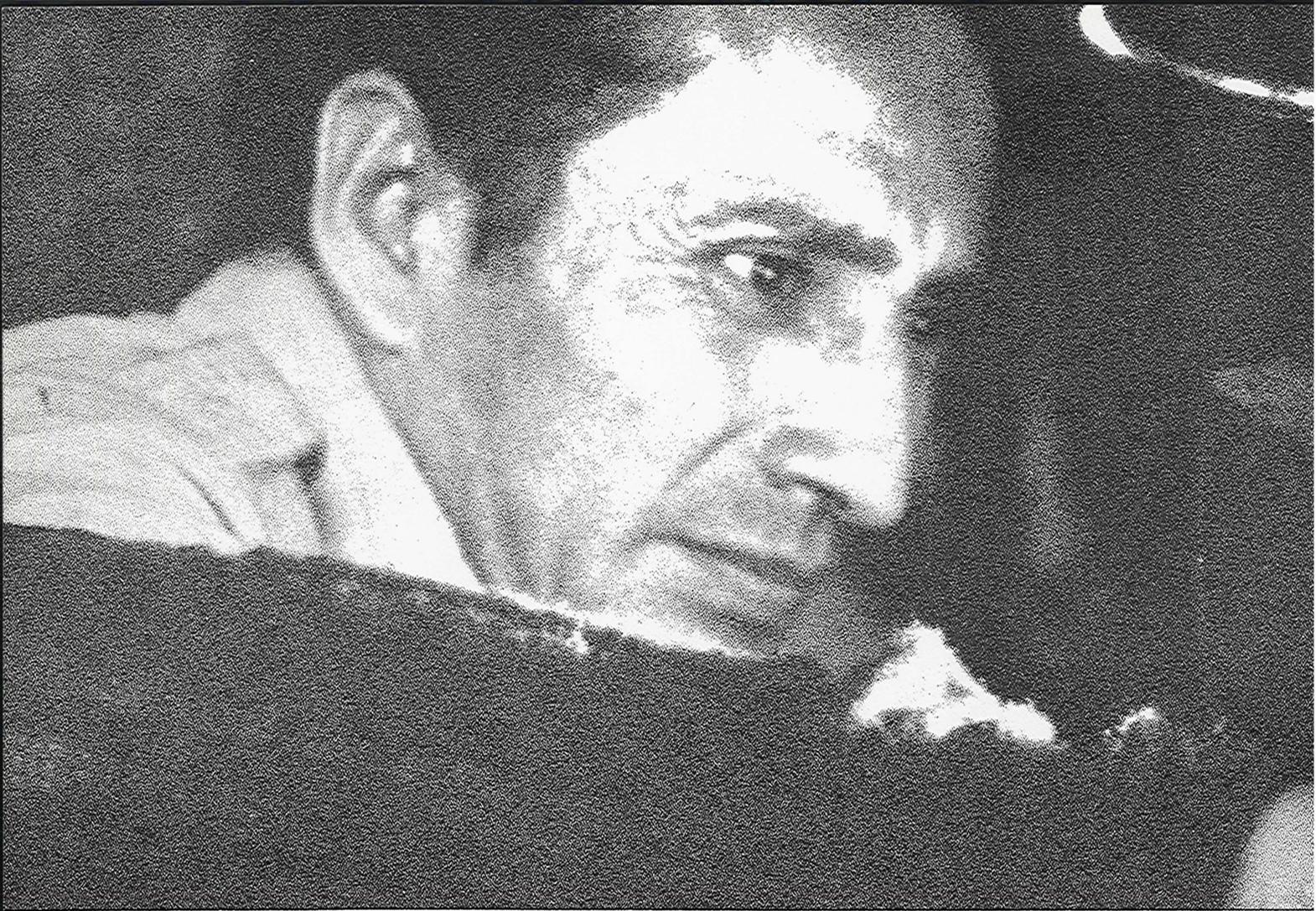
FILOMENO

My pal Filomeno
puts his life into the land
high on the mountainside
where crops are good.
He says rich land breathes
life back into the farmer.
In my beloved Quisqueya,
the farmers are full
who grow their own food.

STEPHEN VETTER was the IAF representative to the Dominican Republic and Jamaica for seven years and is now a representative for Brazil. Recently, an exhibit of his photographs from the Dominican Republic was shown at the Casa de Teatro in Santo Domingo. His book, The Inter-American Foundation in the Dominican Republic, which was co-authored with Robert Mashek, can be obtained by writing the Office of Research and Evaluation of the foundation.

(Ramon Aybar's book of poetry, Vida Serrana, also can be obtained by writing to the foundation.)





MARTIN J. SCURRAH and BRUNO PODESTA

The experience of worker self-management in Peru

During the 1970's, social reformers in Peru and Chile tried to create and organize a sector of small- and medium-sized businesses that were owned and managed by their workers. It was hoped that these firms would become an engine for economic growth, providing new and stable jobs for underemployed, often recently migrated, urban workers. The new sector would fill the gap between the small workshops that typified the unorganized, informal economy and the large indus-

tries that dominated the national economy.

Although the aspirations in both Chile and Peru were similar, the two movements had very different origins. Worker-owned enterprises first appeared in Chile while Eduardo Frei was president. They multiplied under the Allende government in the early 1970's when several large firms were nationalized and when many others were placed under state receiver-

ship because of bankruptcy, owner abandonment, or labor problems.

Following the coup d'etat of 1973, the government decided to sell its public industries to the highest bidders. A small group of professionals, who had worked for the government's Technical Cooperation Service during the 1960's to form and advise urban industrial cooperatives, hurriedly drew up a plan to help workers purchase their own firms. The proposal, which also included loans for working capital to existing production cooperatives and small technical assistance and training programs, was funded by vari-



and Chile

ous international agencies. Workers borrowed from these funds to finance approximately one-third of the cost of buying 15 large, state-owned companies and used their accumulated pension rights and severance pay to cover another six percent of the purchase price. The government provided the rest of the money through loans from an institute for financing cooperatives.

These 15 businesses were much larger than any previous worker-owned firms in Chile. Although the size of the new enterprises made them difficult to run, consolidation of the firms into a whole "sector"

seemed possible. A board was set up under the auspices of the Catholic Church's Foundation for Development to manage loan funds, prepare bids, and in general, to nurture both pre-existing and newly purchased production cooperatives. In short, from the outset, the attempt to organize the new sector in Chile was an ad hoc, private response to a public crisis. The government's initial attitude toward these enterprises wavered between suspicion and indifference.

Meanwhile, in Peru, a similar, though less dramatic effort was underway. In 1974 the government passed the Social Property Law to create "social property" firms and integrate them into an economic sector. Property would be "social" in the sense that the people who worked in a company would operate but not directly own that business: all firms would be owned by *all* of the workers in the sector. Internally, each enterprise would resemble a cooperative and be organized by one-man/one-vote rule; collectively, the firms would be grouped by regions to elect assemblies which, in turn, would elect a national governing assembly. The legislation was influenced by foreign models (especially the worker-run factories in Yugoslavia) and by Peru's previous experience with cooperatives and agrarian reform.

To avoid individual or group ownership, the government would finance the new sector through the National Social Property Fund (FONAPS), which would charge each social property firm a variable "rent" to compensate for differences in profitability, natural monopolies, etc. Any excess profits were to be channeled to FONAPS where, combined with loan repayments, they would form an ever-increasing fund for establishing new enterprises. (To minimize opposition from established businesses, severe restrictions were placed upon converting privately owned companies into social property firms.) Thus, in contrast to Chile, the government was not only not hostile to the establishment of the new sector, it was the driving force behind it.

To understand Peru and Chile's experience with worker self-management—and, in particular, the creation of public and private institutions to support the enterprises—it is useful to consider the cases of two workers who found themselves participating in the worker self-management sector.*

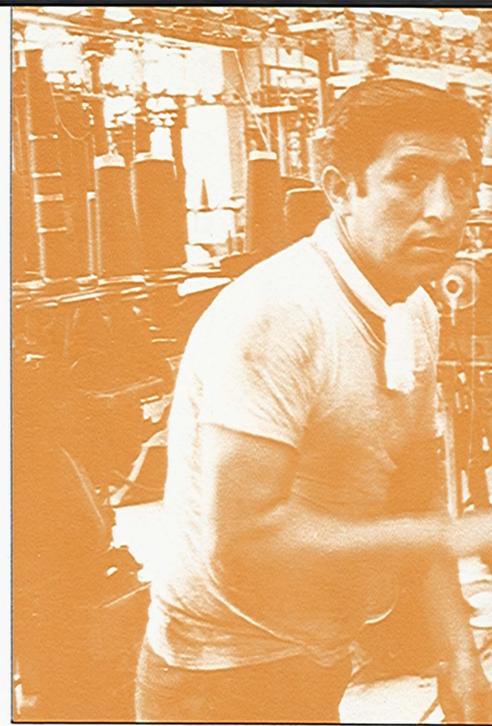
A stove factory in Chile

Ernesto Gutierrez was born and grew up in a shantytown on the edge of Santiago de Chile. His father, who had migrated from the countryside after many years of short-term jobs between periods of unemployment, finally landed a steady job as a factory watchman when Ernesto was 10. The third child in a family of six brothers and sisters, Ernesto left school when he was 14 to help support his family.

He was lucky enough to get a job in a medium-sized factory which produced gas stoves. Shortly afterward, he joined the union because practically all of his co-workers belonged and approved. Although the union leaders appeared to favor the Chilean Communist Party, most of the employees were not active in a political party, and support for the Socialist and Christian Democratic Parties was tolerated.

The campaign that elected Salvador Allende as president of Chile at the head of the Popular Unity coalition aroused considerable interest and discussion among the employees in the factory. However, even those workers who had voted for the Christian Democrats seemed well disposed toward the new government. Most people expected that wages and working conditions would improve and that workers' concerns would have high priority, although there was some concern about the possible reaction of businessmen and the armed forces.

* The following examples are slightly fictionalized composites drawn from actual cases.



The owner of the factory, a Chilean of European descent, was upset by the election and made it clear that he would not let the union interfere in factory operations nor accept any disrespectful behavior from "upstart" employees. The union leaders, for their part, felt able to be more demanding in contract negotiations with the owner and expected the Labor Ministry to vigorously enforce employer compliance with collective bargaining agreements and government regulations.

During the next two years, the demand for the company's products increased, but raw material shortages and deteriorating relations between the union and the owner led to numerous work stoppages and slowdowns. Events came to a head near the end of 1972, when the owner stopped coming to the factory. At first work continued normally, but by the second week, when there was still no news and bills had to be paid and decisions made, the bookkeeper tried to contact the owner at home. Neighbors said that the owner had sold his house and moved with his family to the United States. The bank confirmed that the firm's accounts had been closed and its money withdrawn.

Faced with an impending crisis, the union local called a series of meetings and consulted its national confederation. After several discussions with government officials, the company was declared to be *intervenida** and a recent university graduate was appointed to run the factory. Although well disposed toward the workers, the intervenor lacked experience and was frequently absent. Thus, the firm's everyday operation and management were left to the workers. Concerned about their jobs, the workers, under the leadership of the union, assumed new responsibilities and strove to increase production, despite the shortages of materials and spare parts.

*This was a procedure whereby bankrupt or abandoned firms or those taken over by their employees were temporarily placed under state supervision until their future was determined (that is, until they were bought by the workers, nationalized, or returned to former owners).

After the military coup in September 1973, the intervenor disappeared and was replaced by a young military officer who was even more inexperienced in managing a factory. After some initial distrust, a *modus vivendi* was established with the workers. As long as employees showed up on time, were respectful toward authority, and avoided any political activity, the officer would not initiate any reprisals. Production and sales, however, were low, and salaries did not keep up with inflation.

Several months after the coup, the former owner was seen talking to the officer, and the rumor spread that the factory was about to be handed back. Still, nothing happened. Six months later, the workers were told that the government had decided to sell the company to the highest bidder.

After the coup, the union's leadership had passed quietly into the hands of a coalition of Christian Democrats and independents. Concerned about who might buy their factory and about the possible loss of autonomy that had been gained from a series of "absentee owners," the union officials considered purchasing the factory. One person said he knew an engineer who had promoted industrial cooperatives during the former government of Eduardo Frei. Through this contact the workers received a loan of \$250,000 from a Church-sponsored savings and loan association. By combining this money with their accumulated rights to pensions and severance pay, the workers purchased the firm for \$300,000.

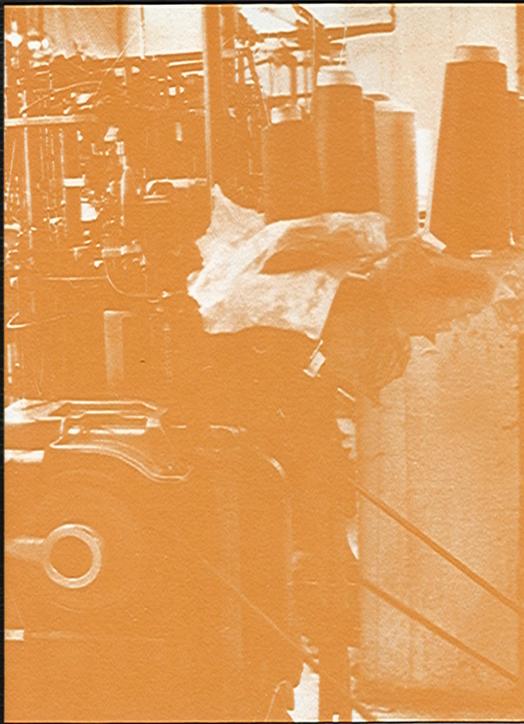
Simply purchasing the firm, however, did not end the workers' problems. Ernesto and his fellow worker-owners now confronted challenges and responsibilities for which they were unprepared. What alternative legal forms might their enterprise take, and what were the advantages and disadvantages of each? What steps were needed to set up the desired form? Were there any legal problems or law suits pending, and what could be done about them? In order to purchase the firm, the workers had ceded their rights to pensions and severance pay. What would happen to people when

they retired or if the firm went bankrupt? How would the workers repay the money they had borrowed to buy the factory? Would there be enough working capital to buy raw materials and pay wages? The machinery was old and needed replacing: what would be the best technology to purchase? How could they afford it? How should the factory be run? Was a manager needed? If so, should the manager come from the ranks or be hired from the outside? To whom could they turn for help and advice?

A garment factory in Peru

Fortunata Huamán was born in the Peruvian Andes, where, during her childhood, she looked after the few animals on her family's tiny farm. She and her four brothers and sisters rarely saw their father, who was usually looking for work in the city. Soon after her eighth birthday, Fortunata and her older brother were sent to an uncle who lived in a squatter settlement in the desert on the outskirts of Lima. Her household chores were heavy, but she did have a chance to attend school with younger children. She never got beyond the fourth grade.

When she was 14, Fortunata was hired as a maid by a middle-class family. Although the pay was extremely low, she did receive room and board, and her employer taught her the basics of dressmaking. Two years later, Fortunata used that skill and the recommendation of a cousin of her uncle to find a job as a seamstress in a small workshop. Even though she earned a smaller net income in her new position after she paid her bus fares and room and board, at least she was independent and hopeful of advancement.



Chief of operations in worker-owned Peruvian textile enterprise

At first it was difficult to adjust to the discipline required in the workshop, and it took some time to adapt to the habits of other employees, most of whom had grown up on the coast. But gradually, she felt the sense of belonging to a group of women who shared the same problems.

Things seemed to improve until, in 1974, the workload began to slacken. Then, one payday, the owner announced that because of a lack of "liquidity," the women would receive only half their pay. One of the other employees had heard that the owner was parcelling out sewing to seamstresses who worked at home for lower piece-rates and without social security or pension rights.

The situation continued to worsen. Some paydays were missed altogether, and the firm ran up a sizeable debt with its employees. When one woman became ill and applied to the social security hospital, she was refused treatment because her employer was behind in her insurance payment. Finally, the owner tried to browbeat some of the women into resigning voluntarily. Faced with these threats, the "industrial community,"* which had been formed by officials from the Ministry of Industry over the owner's opposition, began to demand the right to participate on the board of directors and to inspect the firm's books. The owner responded by closing the factory for a month's "vacation."

During their forced vacation, Fortunata Huamán and the other members of the industrial community's governing commit-

*This comprised all workers—from manager to doorman—in businesses with more than five employees. The community, through a profit-sharing arrangement over time, would acquire 50 percent of the ownership and control of each firm.

tee frequently visited the Ministry of Industry to enlist support but were shuffled from one official to another.

When the women returned to work, they found that half the machines were gone. Then the owner announced that he could not employ everyone. He offered to pay—on the spot—half their legal benefits to all employees who resigned now and the other half in six months, insinuating that those who did not quit might be fired. Some people resigned, but about 20 decided to stay on under the leadership of the industrial community.

Several weeks later, the owner announced he was shutting the factory and cancelling the women's back pay and other legal benefits. In the meantime, the workers had learned that the owner had set up another factory with the machinery that had "disappeared," with new laborers receiving lower wages and lacking an industrial community. Alarmed, the women decided to take over the factory and sit in.

For several weeks, a core of about 15 workers occupied the building. Their cause was publicized by sympathetic newspapers, and they received support from unions and other worker-owned firms with which they had no previous contact. The leaders of the industrial community managed to find a lawyer, and with his aid and after innumerable meetings in government agencies, the bankruptcy court awarded temporary administration of the firm to the industrial community.

Now that the business belonged to the remaining workers organized as an industrial community, they faced a range of problems similar to those of Ernesto Gutiérrez and his fellow workers in the stove factory in Chile. How could they prepare themselves to carry out their new responsibilities?

The need for a support structure

It is difficult for any new business to succeed, but worker self-managed firms have a special underlying logic which separates them from traditional private or

state-run enterprises. The workers are also the owners: they directly or indirectly (through elections and general meetings) make decisions usually reserved for management and shareholders. To operate their business, some workers must learn new skills or sharpen old skills: an accounting system must be set up; marketing strategies have to be developed; and quality control mechanisms have to be designed to make products more competitive. The workers must have a basic understanding of how the firm operates so that they can set policy for whoever manages the business.

If the new enterprise is to function smoothly, workers have to learn how to accomplish these tasks together. Such cooperative behavior is atypical to most workers' prior experience in traditional, hierarchical firms, and reaching a consensus that balances the desire for higher individual incomes with the business' financial solvency can be difficult. For instance, if outmoded machinery needs replacement, everyone must be willing to defer short-term wage increases to invest in the long-term survivability of the enterprise. Such decisions require extraordinary self-discipline on the basis of evidence which may not be immediately apparent to the workers who must make the sacrifices. Even if direct income is not at issue, indirect social services may be. Many worker cooperatives offer additional benefits to their members in the form of health clinics, revolving funds for housing loans, consumer stores, and day care. But these services can drain scarce resources.

Since they have special needs, worker-owned firms often find it difficult to get assistance from institutions that are geared to deal with traditional private and public firms. For instance, self-managed enterprises usually begin operations heavily in debt and without an established credit history or a tested management. Loans for operating or investment capital may be impossible to obtain from private lenders. Most of the firms in Chile and Peru that would compose the new worker self-managed sectors were businesses which had previ-

Members of Galvano Mecánica, S.A., a women-owned enterprise in Lima that recycles metal products. Officer in the enterprise preparing an acid bath, page 16. Galvanizing nuts and bolts, page 17. GAMESCA members sorting screws and cutting onions for lunch, right.

ously gone bankrupt, had their operations suspended, or had been abandoned by their former owners. In other words, it was not only necessary to reorganize the firms' operating procedures to cope with a new business structure, it was also necessary to revive companies which had faltered or failed when they were run according to the dominant rules of the game.

When private groups in Chile and the government in Peru began to promote worker self-managed sectors in 1974, they also tried to set up institutions to provide the services those firms would need to survive. In Chile, a board was established under the auspices of the Catholic Church to funnel technical and financial resources to worker self-managed firms. From the beginning, this agency had difficulty reconciling conflicting demands and integrating the sector. The small- and medium-sized firms which were founded before the coup desperately needed working capital and resented that most of the money from foreign donors was being used to buy new firms. The new and old firms were so different in size, production activity, and market that coordinated planning was difficult and the possibilities of vertical or horizontal integration were minimal.

Dwarfing these internal problems, the country remained in "crisis." When the board first met to hammer out an agreement between the various worker self-management factions, it found the building surrounded by troops who were called out to maintain "order." The delegates at the meeting emphasized the need to avoid potentially divisive debate which might split the sector or raise issues which would prompt a government crackdown. During the years it existed, the board was often ineffectual. Strong measures that might damage the board's tenuous consensus were precluded.

The internal difficulties in organizing the sector were aggravated by the condition of the Chilean economy. The government withdrew from the Andean Pact and drastically reduced tariffs, exposing manufacturers to foreign competition and throwing the whole industrial sector into

a deep depression. Bankruptcies mushroomed. On top of this, in 1975 a large savings and loan cooperative, IFICOOP, was taken over by the government and dissolved, forcing several production cooperatives into bankruptcy and eliminating an important source of working capital for others. (The government used the default of one of IFICOOP's large debtor cooperatives to justify the closure: the government was acting only to protect other debtors from IFICOOP's inevitable bankruptcy. Yet, when the accounts of the savings and loan were settled, there was actually a surplus.)

By mid-1977, the situation was critical. Many self-managed firms—including some of the biggest—had disappeared, and most of the rest were teetering. Early attempts at increasing productivity by training workers through the Cardijn Foundation* failed when the foundation was dissolved under political pressure from the government.

There were, however, some positive signs. In late 1977, the board responsible for governing the sector was reorganized as the Institute for Self-Management (INA). To reduce the friction that had arisen between the professionals who had originally tried to organize the sector and the rest of the movement, representatives from unions and worker self-managed firms joined the institute's board of directors. Despite procedural delays, the government eventually granted INA a legal charter.

Meanwhile, a second problem had arisen. The Labor Savings and Loan Cooperative (ACL), which was designed to be the sector's financing mechanism, was hamstrung by government regulations limiting its loans to under \$16,000. To some extent, this hindrance was circumvented when the sector purchased the Social Interest Financial Institution (FINTESA) from a savings and loan cooperative. FINTESA had a broader legal mandate and promised to be a more effective instrument for coordinating the sector's financial strategy.

*An institution for training young workers.

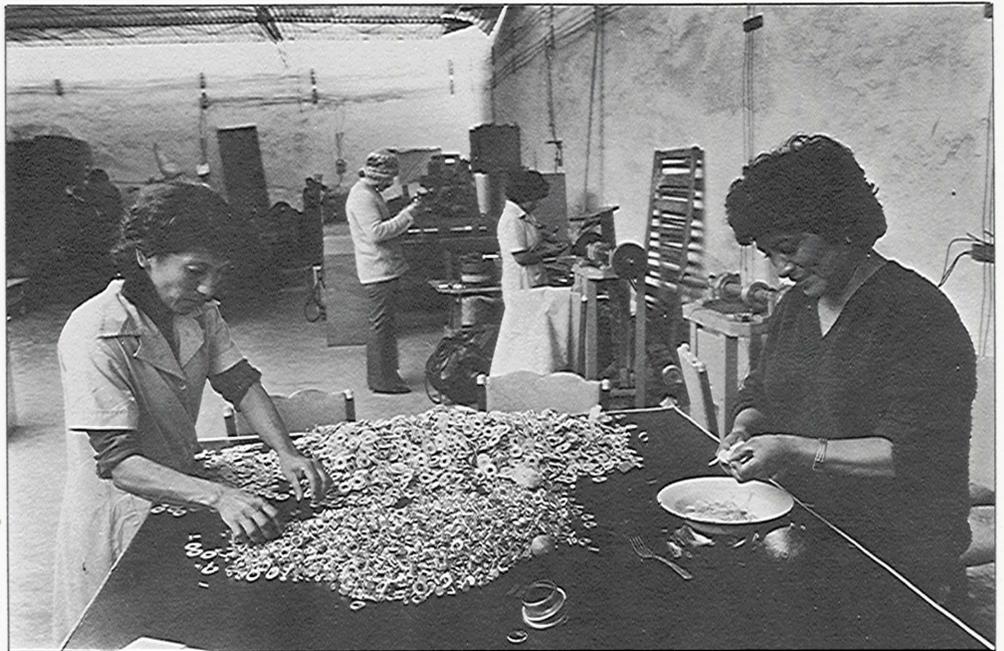


In 1978, INA designed an emergency program to assist troubled firms with funds received from the United States and West Germany that were to be channeled as loans through FINTESA. The sector was divided into three groups: those enterprises with a good chance to survive with some financial assistance, those that might survive, and those that were certain to fail. Medium-term loans were granted to firms in the first two categories in an effort to stabilize and consolidate the sector while minimizing de-capitalization so that future expansion could be financed when the economy improved. Funds were also allotted for a more integrated technical assistance program which would concentrate on organizational development. This program was to be designed and run by the Center for Cooperative Studies and Development, while previously scattered and ineffectual training efforts were to be coordinated through INA.

In 1979, an economic recovery began and the worker self-managed sector seemed to be holding its own. By 1981, however, the Chilean economy was foundering again. Exports were down; interest rates reached record levels (50-60



Mitchell Denburg



percent); and internal demand was falling. The number of self-managed firms fell from its 1974 peak of 60 to about 25 in late 1981. Of these enterprises, no more than a dozen were expected to survive, and many were already technically in default.

Despite an influx of new donor capital, FINTESA—which was expected to service the union movement, peasant cooperatives, and industrial self-managed businesses at below-market interest rates—was foundering. Most of its outstanding loans were to self-managed enterprises that were unable to repay. Then, a major fraud involving the leading self-managed firm shook the ethical and financial foundation of the whole sector. INA, with most of its assets inconvertible in the short term, had guaranteed but could not cover FINTESA's unpaid loans to the self-managed sector. On the edge of bankruptcy, the institute sharply curtailed its activities. Conflicts between the various partners in FINTESA, and between the self-managed firms and INA and FINTESA, finally required mediation by the Church. In short, the self-managed sector never consolidated and was on the brink of total collapse.

In Peru, the attempt to set up a coordinated support structure for the new worker self-managed sector followed a different course to a similar end. The government created the National Social Property Commission (CONAPS) to implement the 1974 legislation that mandated the new sector. The commission's president had ministerial rank and its members were drawn primarily from government agencies. CONAPS' early strategy was to establish as many firms as quickly as possible. However, to implement its program, CONAPS had to work through the state bureaucracy. These ministries had independent priorities and there were inevitable delays.

Just as the legislation did not anticipate the need for an adequate organizational structure to launch the new sector, it also underestimated the time lag in converting an idea for a project into an independently functioning business. Self-managed firms did not spring into being. Instead, struggling companies with management boards dominated by government appointees were emerging: a strange hybrid between state and self-managed enterprises.

After 1976, the government appointed to CONAPS managers who would eliminate the amateurish and even demagogic style in which the sector and its firms had been run. The new appointees tried to impose economic and technical rationality on the sector, but at the price of reduced worker involvement. By 1980, a return to civilian rule was imminent, and the government made a last attempt to revitalize the sector. Workers elected their own boards of directors; regional and national assemblies were inaugurated; and worker control over FONAPS, the sector's financial institution, was confirmed.

The transfer of power was hasty, and it destabilized rather than consolidated the sector. The assembly elections prefigured the impending national elections and reflected partisan political concerns. There was not enough time for a genuinely representative leadership to form, and many of those who were elected were later accused of corruption. The legitimacy of national assembly elections was questioned, and for a time, there was an acrimonious public debate between competing factions. Meanwhile, FONAPS faced a liquidity crisis, largely because of past unpaid loans.

In some ways, this disarray was misleading since the focus of worker self-managed enterprises had already shifted. After 1976, government interest waned, and private initiatives began. As a result of bankruptcies (often fraudulent), prolonged labor conflicts, and factory takeovers, many companies were acquired by workers who were either unionized, organized as an industrial community, or both. Although many of these firms could have, few joined the social property sector: either the new businesses were considered financially unsound, or their workers feared external controls.

Legally, these firms were required to become worker production cooperatives, but few felt strong ideological or historical ties to the cooperative movement. These firms generally had a militant and integrated membership with ties to labor unions. Most of the new production cooperatives were affiliated with the Committee of Worker-Administered Firms (CEAT).

To help support these firms, three private institutions were formed with foreign financing. CIDIAG was started by a group of former officials from the Minis-

try of Industry. Although it has been relatively successful in gaining worker confidence, only recently has it begun to provide effective technical assistance, especially in the management of CEAT's revolving fund. The second group, INDA, was a splinter from CIDIAG and concentrated on providing loans, especially for working capital. A series of speculative ventures to generate profits to compensate for below-market-cost loans to self-managed firms led to huge losses, and the firm is currently in liquidation. The third organization, INPET, was founded by former generals and high-level civil servants to provide legal services. More recently, INPET has begun a technical assistance program and is exploring a possible loan fund. Partly because of the competition among these three support institutions for clients, and partly in an attempt to avoid isolating themselves from the union movement, the firms in CEAT remain a loose coalition.

Some lessons of the Chilean and Peruvian experience

Although the attempts to foster worker self-managed firms by creating a network of private and public support groups had diametrically opposed origins in Chile and Peru, there were convergences. The Chilean effort began in crisis and faced economic and political hurdles that were perhaps insurmountable. Similarly, Peru suffered from the effects of recessions in the world economy during the 1970's, and initial government sponsorship of self-managed firms faded into eventual indifference.

In both Chile and Peru, the effort to organize an integrated sector began outside existing worker self-managed firms, admittedly with the best of intentions. In both cases, the attempts were largely unsuccessful, although the exceptions are interesting. The firms with the best chance to survive in Chile into the 1980's could all trace their origins to the period when self-managed enterprises were first emerging, while all of the companies purchased after 1974 failed. In Peru, worker self-managed businesses have sprung up outside the auspices of the government and have begun to attract a private support structure. This suggests that the firms that have the best chance to survive originate "organically"—under unique circumstances, perhaps, but from the workers themselves.

Without diminishing the importance of external factors such as the health of the national economy and the attitude of the government, some of the failures in Chile and Peru were due to an inadequate relationship between self-managed firms and their support structure. This can be seen

by exploring the record of the Chilean and Peruvian institutions that provided credit, training, legal advice, and technical assistance.

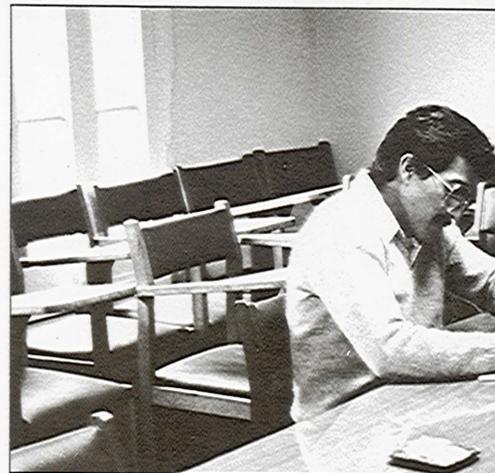
Credit. In both Peru and Chile, most worker self-managed firms were either new, were decapitalized by the bankruptcy of their previous owners, or had outmoded equipment which needed replacement. The borrowing needs of these enterprises were acute, but the workers' capacity for self-management was unproved, and financial institutions did not believe these businesses were credit-worthy. Workers also lacked adequate alternative sources of capital such as personal or family savings.

The professionals who promoted self-management in both Peru and Chile responded by establishing financial entities dedicated predominantly or exclusively to providing loans to worker-owned enterprises. In Chile, an existing development finance institution was bought and transformed; in Peru, a quasi-public development finance institution (FONAPS) and a private loan fund (FONSIAG) were created.

These lending institutions were capitalized totally or partially by private, foreign donations or transfers from the state treasury, and—despite the precarious solvency of most borrowing firms—offered loans on favorable terms at below-market interest rates. This financial strategy generated a problem common to development finance institutions: the onset of decapitalization. If loans do not carry an interest rate that at least matches the rate of inflation, the lender suffers a loss (which is magnified by administrative overhead and the costs of servicing loans) and will eventually exhaust its funds.

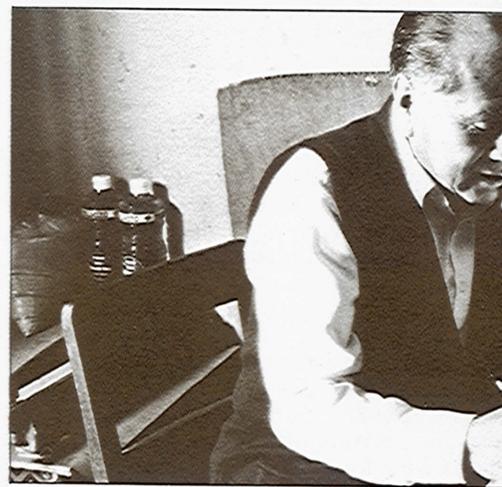
The financial development institutions in Peru and Chile used two approaches to avoid decapitalization, without much success. First, they sought "inexhaustible" sources of funds, such as central reserve banks or foreign philanthropic organizations. However, in practice, no bank or international donor was willing to supply funds indefinitely, especially with results that were not encouraging. The financial development institutions in Chile did have access to funds from international donors for some six years, but the money finally dried up in 1981 when most of the businesses in the self-managed sector had gone or were about to go bankrupt. Although FINTESA—the sector's primary lending institution—had grown by 1982 into the twelfth largest of 18 financial institutions in Chile, its assets were tied up in unpaid loans to the insolvent firms. In Peru, government funds never matched the level of rhetoric and remained frozen as government interest grew progressively lukewarm during the late 1970's.

Some development groups used a sec-



Accountant and director of "Tres Estrellas"

ond strategy to avoid decapitalization. They tried to generate new funds—either by attracting deposits from or making loans to the general public, or by investing in speculative ventures. The money available to earn new money was limited, however. These development institutions were obliged to devote most of their resources to their clients in the cooperative or social service sector. The leaders of these institutions also were inexperienced in commercial banking and were unable to successfully compete with traditional banks in making profitable loans



Taking orders at "Tres Estrellas".

to the private sector. When some institutions tried to maximize their scarce resources through speculative ventures, the slide toward decapitalization accelerated.

Problems were also experienced by the borrowers. Many of the self-managed firms were totally reliant on the financial support institutions for loans. Knowing that the lenders had received their funds from donations or subsidized loans on condition that the money would be assigned to self-managed firms, the workers frequently felt "entitled" to the



Luis Peirano

Peruvian worker-owned textile enterprise.

money they borrowed. As a result, the self-managed enterprises often felt no obligation to repay their loans or did so only after meeting other obligations. The financial institutions attributed this phenomenon to the workers' immaturity, irresponsibility, or lack of solidarity.

This basic difference between the support institutions and the enterprises was aggravated by the underlying condition of most of the borrowing companies. Most firms were saddled with large debts, obsolete machinery, and too little working capital. They needed a combination of



Luis Peirano

medium- and long-term capital (to replace outmoded equipment, expand their plant, or diversify production) and short-term working capital (to provide an adequate cash flow and to increase production by exploiting idle capacity).

Unfortunately, the financial institutions had, at best, only limited funds for medium- and long-term loans. In Chile, at least, the first priority for funds during the early 1970's was for buying new firms rather than stabilizing existing production cooperatives. Even when credit be-

came available, production cooperatives suffered a competitive disadvantage compared to private firms with equity capital which implied no repayment and on which dividends could be skipped when necessary.

When short-term loans were available, the repayment schedule for working capital often was less than the time needed to rotate the funds and generate the income necessary to retire the loans. The resulting penalties and additional financial expenses increased the real cost of the credit and limited the firms' ability to generate their own working capital.

In fact, the financial institutions resorted to such "hidden" charges as penalties and commissions to recoup money from loans that were offered at unrealistically low rates. This attempt to compensate grew out of the early and widespread amateurism in the financial institutions. Set up in order to "help" a specific sector, lending authorities tended to define their task in political, social, and philanthropic rather than financial terms. From this point of view, subsidized credit was considered equivalent to a donation which might or might not be repaid. On the basis of this fatalistic assumption—often more implicit than explicit—loan recovery became a hope rather than an expectation.

Within the firms, it was only a short step to use credit to sidestep rather than solve organizational problems—frequently saving incompetent or unscrupulous managers from the logical consequences of their actions. Employing the logic of subsidy, the financial institutions did not evaluate projects by their profitability and thus failed to implement a system for monitoring loans and advising firms. They were unable to assure the productive use of the money or its future repayment. As a result, self-managed enterprises continued to borrow in the belief that if they could not pay their loans, they need not pay.

The fact that the Chilean Foundation for Development and its successor, the Self-Management Institute, failed to keep adequate financial records to oversee or evaluate the funds they were funneling into the self-management sector is symptomatic. Audits were virtually impossible. Not only did this hamper sectoral planning, it wasted an opportunity to use loans to educate and train workers and managers in the responsibilities of running their own business.

There were attempts in both Chile and Peru at midstream corrections. In Chile, loan funds were targeted at those firms with the greatest chance to survive. In Peru, more experienced technicians were appointed to FONAPS, and they tried to introduce greater rationality into the system.

Unfortunately, the new "rules of the game" were often introduced abruptly and exacerbated tension between the firms and the support agencies. In Chile, workers who were about to lose their jobs pressured the primary development lending institutions into channeling funds intended for consolidating firms with better survival prospects into the revival and reorganization of businesses about to fail. In Peru, the technical staff soon clashed with the new majority of worker representatives on the FONAPS board and resigned.

The accumulation of indebtedness was slowed but not halted. Over time, the firms' assets were tied up totally or substantially in underwriting their loans. When the financial institutions—which were largely staffed by ex-civil servants from the Ministry of Industry in Peru and the Industrial Development Agency (CORFO) in Chile—discovered that their external funding was finite, the failure to develop strategies to maintain and increase their loan funds placed the lending agencies in a double bind. Loans could be recaptured only by bankrupting and auctioning off the very firms the agencies were supposed to support. The companies' dependence on the financial institutions was transformed into an interdependence where neither the firms nor the institutions were autonomous or viable.

International philanthropic organizations contributed to this paralysis in various ways. First, they funded institutions that lacked employees with sufficient financial knowledge and experience. Second, they approved projects that had no prospect of achieving self-sufficiency in the medium term on the (unspoken) understanding that additional future funding was available. Third, they did not exercise sufficient or timely supervision or follow-up in order to detect emerging problems. Finally, they never fully understood what was necessary to develop a financial system that would promote the firms' autonomy and consolidation. The basic problem was that support for self-managed enterprises did not transcend the desire to save jobs. Firms were not equipped to become more productive; they were *maintained*, and their continued survival depended on donations and subsidized credit.

Training. Workers in self-managed enterprises are typically unprepared for the tasks and responsibilities that come with ownership. To give them a competitive boost, support institutions provide training programs to equip the firms' labor force with the skills that the marketplace demands. Usually, these programs concentrate on three areas: motivational development, technical training, and managerial expertise.

Because worker participation is usually a new experience, worker-owners need a set of new ideas to help interpret their roles. This new conceptual framework—which in its most elaborate form approaches an ideology—helps build a consensus among the labor force and reinforces acceptance of commonly agreed-upon rules of the game. The particular content of this motivational ideology can vary widely, as the diverse experiences of the Hutterites, Israeli kibbutzim, and the workers in Yugoslavian self-managed companies indicate.

The early training programs in both Peru and Chile tried, with varying degrees of success, to supply such a motivational underpinning. In Chile, three institutions were charged with developing training programs during the early 1970's. Each of their curricula provided a separate social and political rationale. Not only did this make it difficult to organize the worker self-managed enterprise into a sector, but ideology was offered at the expense of technical and administrative skills. Within five years, the three support groups had dissolved without creating a permanent training program.

In the late 1970's, INA integrated a training program into its effort to channel financial aid to those firms with the greatest apparent chance to succeed. This second training phase was more pragmatic than the first, focusing on teaching literacy and technical, entrepreneurial, and administrative skills. The program was well received by workers but was terminated because participating firms could not pay for the service when INA was forced to curtail its activities because of financial difficulties.

The early training programs in Peru were also strongly ideological. However, as government support for a new "social property" sector waned, and as new worker self-managed businesses spontaneously arose, the range of ideologies broadened. One immediate effect was to make the coordination of sector-wide policies even more difficult than in Chile. As technicians succeeded the social reformers who staffed the government support institutions, they tried to increase mana-

gerial competence within firms. Somewhat heretically, this drive for efficiency emphasized centralized control over worker participation and training. The private support groups that emerged to service new worker production cooperatives promoted competing ideologies which sometimes sparked crippling conflicts within individual firms and tended to increase friction between firms.

The experience in both Chile and Peru suggests that worker self-managed firms may need a justifying rationale if they are to cohere, but ideology is no substitute for technical training. In the more successful programs, job-related technical training tended to promote worker satisfaction and provide a sense of job security, thereby reinforcing the idea of worker participation in the firm.

On the other hand, technical training can be too narrowly drawn, particularly when applied to managerial improvements. In a small firm, the workers must organize themselves to collectively run their business. In larger companies, the workers must be able to supervise managerial and technical personnel. Both tasks require workers to make new decisions as *owners*. Traditionally, management programs teach skills for particular slots in an organizational hierarchy; e.g., bookkeeper or salesman. One reason these programs succeed is that there is normally agreement about what a bookkeeper or salesman needs to know. But there is less certainty about how to teach the general principles of business operation to the members of a production cooperative. Self-management training programs often fail because there is no consensus about what a cooperative's general assembly or governing board needs to know.

Although many of the training efforts in Chile and Peru have fizzled, some of the more successful programs have begun to integrate the diverse aspects of training with an effective methodology. Using inductive techniques, the workers study and analyze what is concrete and familiar (his or her machine, workshop, or job), gradually and accumulatively incorporating more complex realities. For example, a



training program in Lima taught workers the concept of the break-even point by organizing groups to collect information about the costs, output, sales price, etc. of their most important machine. The data were then used to illustrate the distinction between fixed and variable and direct and indirect costs.

Training efforts organized by CEDEC in Chile and INPET in Peru have used these experiential techniques to teach job-related skills in a way that helps workers to better manage themselves. A firm's technical leaders (manager, foreman, line supervisor) and its political leaders (president, members of the governing board) are included in the program so that the problem-solving methodology can be internalized within the firm. When this kind of training succeeds, conflicts between "participatory" laborers and "authoritarian" managers are minimized, and the factory or shop is transformed into a classroom where people learn how to analyze and adapt their everyday work habits. Since the content of programs emerges inductively, it is possible to tailor the training to an enterprise's specific and most-urgent needs.





Final processing and quality control point in a nylon stocking factory in Lima.

Technical assistance and legal advice. A worker self-managed firm usually begins with problems that must be addressed immediately (such as a lack of funds to meet the payroll or sudden resignation of key technicians) even if the workers are inadequately trained to solve them. Coordinating longer-term training programs with the more immediate needs for technical assistance was a problem in both Peru and Chile.

Technical assistance from support institutions was initially overlooked in Chile, where the overwhelming priority was to help workers buy firms before the companies could be sold to outsiders. After the enterprises were purchased and began to have problems, the need for technical assistance became more apparent, and responsibility for providing the needed aid gravitated toward the development finance institutions. These institutions were understaffed, however, and the same people who evaluated loan applications were expected to help the firms with their organizational and managerial problems. These professionals not only

Packaging nylon stockings, LIMA.



Luis Petrucci

were cut off from vital information (it was not in a firm's interest to spotlight its problems if that would jeopardize a loan), they were themselves usually inexperienced in dealing with the problems of self-managed firms. As a result, assistance tended to be improvisational and occasional.

As self-managed firms encountered more problems, two other efforts to provide technical advice were started. Neither was successful. The umbrella organization managing the sector (INA) ostensibly offered technical assistance, but it never organized a systematic or permanent support structure. One private group, CEDEC, did eventually organize a technical aid program that also offered legal and entrepreneurial advice, but this plan promised medium- and long-term benefits when most firms were facing imminent bankruptcy. Self-managed firms could not afford to pay for the advice they needed, and the support institutions lacked funds to subsidize a more thorough program.

Firms in Peru have had difficulty obtaining technical aid that was consistent with workers managing their own enterprises. Initially, the government officials who were charged with servicing the sector had as their immediate objective the mobilization of a sector from scratch, not the servicing of its organizational and technical needs. As these appointees were replaced by technicians, centralized and efficient management—rather than participatory management—was emphasized.

Despite frequent failures, there have been positive experiences with technical assistance in both Peru and Chile. One private institution in Peru that provides workers with advice has developed a particularly effective "delivery system." In response to a firm's request for help, a written report and perhaps a verbal report are presented. Beyond that, however, training programs are organized for everyone in the firm to explain how the study was made, the alternatives considered and rejected, the arguments in support of recommendations, and the tasks required for implementation. As a result,

workers are better able to implement a project's recommendations.

The experience of self-managed firms in both Chile and Peru underscores that legal advice is important for a number of obvious reasons. First, many self-managed enterprises begin with workers taking legal action to defend their interests and acquire ownership of the company. Second, since self-managed firms are organized differently from traditional businesses, existing legislation may be prejudicial or indifferent toward their problems, creating the need for new legal formulas. In Peru, for example, a new body of Social Law was passed to help adjudicate disputes involving social property firms.

From dependence to interdependence

Achievements in worker self-management in Peru and Chile have been limited at best. In both countries, smoothly integrated sectors of individual firms and complementary support institutions failed to develop. Why?

A large part of the answer lies in the condition of the two national economies and the levels of state hostility and/or indifference. Yet, a deficient relationship between the firms and their support institutions was also a factor. The various types of support—credit, training, technical assistance, and legal aid—were often uncoordinated. Organizations frequently offered only one service; and when umbrella institutions attempted to unify services, they usually compartmentalized responsibility for each function within a separate department.

The experiences that we reviewed suggest that an approach that integrates credit, training, and technical and legal assistance will generate the best results. It is easy to see why. Self-managed firms often must borrow. If adequate studies are not made to determine the amount needed and the turnover time to pay off the loan, and if workers are untrained to efficiently use the funds, a firm may end

up saddled with a crushing debt. An undercapitalized cooperative may survive for years at low-income levels—and then go bankrupt with the “help” of a well-intentioned but poorly planned loan or technological conversion.

The actual lending of money, however, is an important exception to the principle of integration of services. Financial development institutions in Peru and Chile that provided both loans and other services often confused technical with sociopolitical criteria, and donation with credit. Conflicts of interest developed, and both the service institutions and their clients eventually became insolvent. This suggests that the criteria, and perhaps the responsibility, for making loans should be separate from other forms of assistance.

A second factor that affected the quality of support institution service was personnel. Typically these organizations have been staffed by former government employees and by professionals with a political commitment to the poor and to the remaking of society. The ex-government officials generally are highly motivated, but they often favor grandiose schemes more appropriate to national planning and operate in a bureaucratic style that emphasizes codified rather than innovative procedures. These professionals sometimes display an Olympian disdain for budgets and cost overruns, presuming that the state treasury (or its equivalent) will provide needed funding. Many politically motivated professionals, on the other hand, tend to subordinate technical and financial criteria to ideology. Institutions staffed primarily by this group frequently operate in fiscal and administrative chaos and offer services that are technically mediocre or unsound. Admittedly, support institution professionals cannot be divided neatly into separate categories, but these two types occur frequently enough to be easily recognizable.

Finally, there is a danger of mutually damaging conflict between worker self-managed enterprises and their support



Mitchell Denburg

institutions when both compete for the same scarce resources. Most self-managed firms begin with a desperate need for reliable assistance from support institutions. Understandably, the firms want the best help for the lowest cost with the fewest limitations. Meanwhile, support institutions prefer predictable clients with manageable demands so that service tasks can be simplified and rationally planned. When the sector as a whole is not expanding and the number of potential clients is frozen, support institutions have little incentive to further client independence or to cooperate with other potentially competing support groups.

Ideally, the relationship between self-managed firms and their support structure could be symbiotic. In the real world, each party often views the other as parasitic. Certainly, the economic and political crises in Peru and Chile during the past decade have increased antagonisms so that relations between many support groups and self-managed enterprises degenerated into power struggles, mutual

destruction, or typically, chronic instability and conflict. In the words of one worker, “When we sit around the table with representatives (of a support institution) to discuss the problems of the firm, some have a machine gun, some have a knife, and some are completely unarmed.”

How can an antagonistically dependent relationship be converted into a viably interdependent one? Although failures have been frequent, the record of worker self-management in Peru and Chile suggests that those support institutions that give individual firms the best chance to survive and grow offer integrated services and use participatory methodologies that preempt potential conflicts and misunderstandings. Such institutions tailor their services to not only meet the specific need of the firm, but emphasize organizational development so that training is combined with consulting, an integrated vision of the firm is promoted, and workers learn the skills to solve their own problems.



Member-owners of GAMECSA and technical assistant on loan from another worker-owned metal enterprise.

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Institutional Acronyms

Chile

- ACL** Ahorro y Crédito Laboral Limitada
(Worker's Savings and Loan Limited)
- CEDEC** Centro de Estudios para el Desarrollo Cooperativo
(Center for the Study and Development of Cooperatives)
- CORFO** Corporación de Fomento
(Industrial Development Agency)
- FINTESA** Financiera de Interés Social, S.A.
(Social Interest Financial Institution)
- IFICOOP** Instituto de Financiamiento Cooperativo
(Institute for Cooperative Financing)
- INA** Instituto de la Autogestión
(Institute for Self-Management)

Peru

- CEAT** Comité de Empresas Administradas por sus Trabajadores
(Committee of Worker-Administered Firms)
- CIDIAG** Centro Internacional para la Información y Desarrollo
(International Center for Information and the Development of Self-Management)
- CONAPS** Comisión Nacional de Propiedad Social
(National Social Property Commission)
- FONAPS** Fondo Nacional de Propiedad Social
(National Social Property Fund)
- INDA** Instituto para la Investigación y Desarrollo de la Autogestión
(Peruvian Institute for the Research and Development of Self-Management)
- INPET** Instituto Peruano de Empresas de Propiedad Exclusiva de sus Trabajadores
(Peruvian Institute for Firms Exclusively Owned by their Workers)

Muebles Nacionales: Oral histories of a Mexican worker- owned furniture enterprise

Robert Wasserstrom

In early 1977, the employees of a small furniture factory in the Mexican border city of Mexicali were about to lose their jobs. Unlike many firms along the border, Muebles

Internacionales was not collapsing because of mismanagement or miscalculations of the region's treacherous economic tides. On the contrary, its owner, Guillermo Mina, had carefully established a market for his products on both sides of the international boundary and had expanded his activities as judiciously as conditions allowed. Unfortunately, having weathered the economic storms and devaluation of 1976, he died the next year in an automobile accident. Subsequently, his two American partners lost interest in the business and decided to default on its debts.

Facing unemployment, the workers at Muebles Internacionales consulted a lawyer who advised them to organize a strike against the defunct company and thus compel the Federal Labor Relations Board to award them some kind of severance pay. Since government mediators lacked other assets to apportion, the strikers were given the company's equipment and machinery to divide according to each person's rank and seniority. Some em-

ployees took pieces of equipment to sell on the secondhand market, but most workers soon realized that dismembering the factory would not save their jobs or secure their futures. Encouraged by their lawyer, the workers decided to pool their resources and form a production cooperative. As one of their first officers put it, "At the time, we didn't know anything about cooperatives; it was something we put together in a hurry. What we had was our enthusiasm."

The 32 people who remained reopened their doors as Muebles Nacionales in April of 1977. Immediately, they encountered difficulties. The chief problem was that the cooperative members did not own the building in which they worked: it had been pledged as collateral for a number of loans and now belonged to creditors. Confronted by substantial rental fees and no significant inventory, Muebles Nacionales contemplated bankruptcy. At that point, the coop's manager, Marta Sanchez, approached the Inter-



Muebles' worker-owners assembling finished furniture.

American Foundation.

Support from the foundation eventually allowed the cooperative to purchase the locale and to provide means for increased production. By the end of 1978, Muebles Nacionales had devised an export-oriented marketing strategy that focused on large U.S. retail chains, and as a result, the factory's monthly sales rose to \$50,000.

By 1982, the workforce had expanded to 55 employees. Two rounds of devaluation (from 24 to 150 pesos per dollar) may have encouraged exports, but it caused a new set of business problems. Having borrowed \$197,000 to buy new machinery in the United States, for example, Muebles Nacionales has been unable to use this equipment because the Federal Electricity Commission has been unable to install necessary high-voltage lines. Meanwhile, the cooperative has responded to soaring inflation, rising costs, and debt service charges by lengthening workdays, which in turn has sparked some discon-



Jeffrey Foxx

tent among cooperative members. Other conflicts have also surfaced. As Ubaldo Bautista, a machine operator, explains in one of the following interviews, economic hardship has reinforced the divisions between the older members who contributed both their labor and severance pay and their new colleagues who have joined without investing any money. In Ubaldo's words, "It's difficult to see a new person come into the group, and in a couple of minutes they're making decisions that affect you."

Despite such difficulties, Muebles Nacionales has enjoyed an advantage that most worker production enterprises in Latin America lack: a favorable location. The border economy may be tricky, but it also provides access to more affluent export markets and to cheaper, more reliable supplies of raw materials. The workers at Muebles Nacionales have protected themselves against the worst ravages of inflation by selling in volume to large buyers in Los Angeles and Houston. The

cooperative continues to use these sales to finance purchases of raw materials in the U.S. while simultaneously expanding its markets in northern Mexico.

Although the cooperative has imaginatively exploited the opportunities of the border economy, it also has had to overcome the same kinds of problems that most worker production enterprises face. Lines of credit had to be secured for working and investment capital despite an initial lack of mortgagable assets or an established credit history. Technical advice had to be found to help organize the firm and guide it past the legal, financial, and managerial obstacles that can wreck a new business. Fortunately, the workers at Muebles Nacionales were able to hire a manager with extensive experience in or-

ganizing cooperatives in the U.S. and Mexico. She has devoted considerable energy to training the group's leaders; and they, in turn, have energetically educated the membership at large in the challenges and responsibilities of joint ownership. As cooperative president Alberto Martinez says, "The thing we keep reminding our members is that they have to think like owners and workers at the same time. It's not easy for us to do that; in fact it takes a long time to get used to."

So far, their efforts have been reasonably successful. There has been a sizable turnover in members, and even Ubaldo admits, "You can always find a lot of things to be unhappy about. Still, you just can't let those troubles sidetrack you from your main objectives."



Jeffrey Foxx

"Nothing can hold us back."

Alberto Martinez, president

When Sr. Mina died, I had already been working here for some time. His family didn't seem to be interested in this place; I guess they didn't think it would survive. For a little while, the accountant tried to keep things going. Sometimes we worked three days a week, sometimes five or six, just trying to stay afloat. But finally he couldn't pay the debts and gave up. He said that if we wanted to work the machinery ourselves we should give it a try. We filed some papers so that we could start up on our own. Technically, we went out on strike, but we were really just taking care of the place until our permit came through. Two weeks later we started work again as a cooperative with the accountant as president and general manager. It was all done on the spur of the moment: no meetings or anything like that. We just took a majority vote about whether we should form a cooperative and that was it.

Once we had gotten our papers in order, we had to tell everyone that Muebles Internacionales had gone out of business and we were a separate entity. One time a man showed up and asked us for a million pesos that the old company had owed him. We explained to him that we had no legal responsibility to pay because we were a different outfit. I must say that he didn't put any pressure on us. The only trouble we had was with the light

and the water, although eventually we signed a contract with the Electricity Commission, and our service was restored.

When we started work again, we decided to keep producing the same lines of furniture as the old company. We began with bookcases: they're easy to make and you get a nice margin. Then we moved on to bunk beds and bedroom sets until, after a few months, we could produce everything we had made before. But it wasn't easy: we always had plenty of problems. The worst one was that about half of our members resigned—we started with 30-odd people—and that meant we had to buy out their shares in the coop. After a lot of bargaining, we agreed to pay them a certain amount every two weeks until they had collected whatever they had put in. It almost drove us out of business, but we did everything we could to survive.

We got to know Marta about the time we decided to become a cooperative. She came in to advise us on how to get organized and start working. The truth is that we didn't know anything about it. Maybe now people here have a better idea about cooperatives, but that's not the way we began. She steered us through all the legal pitfalls and kept us from getting into trouble. When Oscar (the accountant)

left, we immediately thought of her. After she had been here awhile, she saw that we were going to have problems with the building, and she told us about the IAF. Basically, what happened was that Sr. Mina had mortgaged the structure we were working in, and his creditors expected us to pay them some rent. Instead, we got a grant from the foundation to buy the factory, and we even had a little money left over to help us with production. That was very important to us because, otherwise, we would have spent everything we made just to keep from being evicted.

The city government also helped us raise some capital. They sent one of Marta's friends to visit us and we had a very nice conversation. They said, "We know you plan to put a lot into this and we want to help you out. We'll be happy to cosign your loans at the bank if you need us." And they did, too. I know this for a fact because sometimes I had to collect signatures from two or three different people. But I regard it as quite an accomplishment for a group like ours.

Another thing we did was to work with people in the U.S. and make furniture for export: chairs, bunk beds, and cupboards, even bedroom sets. In other words, we still get help from our friends over there. For a while, we even had spe-

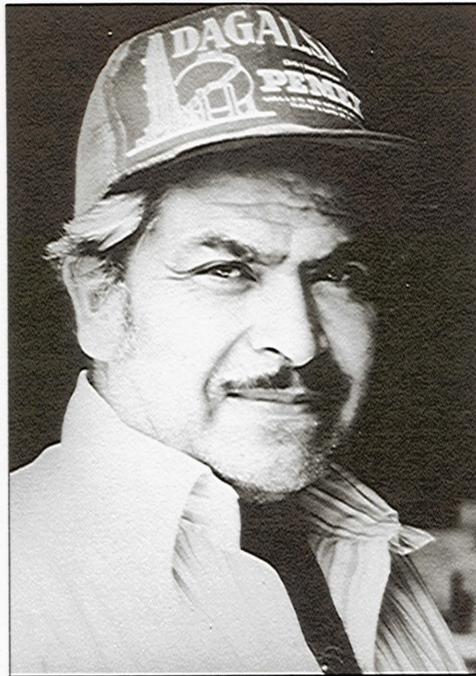


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cial financing from the Mexican government. We got a line of credit to buy machinery from the United States and to cover the costs of installation—things like that. You might say that was our third phase. Now we have to start the fourth phase, which is where we'll be when the equipment comes on line. And we'll get there, too. As long as we believe in what we're doing, there's nothing that can hold us back.

I've always been an officer here. I was in charge of cooperative education, I was head of social welfare, and then I was elected to be president of the cooperative itself. We're the second slate of officers the coop has had, and our terms expire in six months. Then we'll call another general meeting to elect our replacements. Even if we've done an outstanding job, we can't be reelected for another two years. You can understand that from one point of view: nobody's perfect; we all have our faults. But it's also a shame because we've had a lot of experience in dealing with the members and making sure that everything runs smoothly. In my case, for example, I've learned how to make deliveries and collect what people owe us, even to do our marketing. Inside the factory, too, I can do just about anything: shipping, painting, there are hundreds of jobs I have to know. I don't work at any one thing in particular—I'm everywhere. If I see the place is dirty, I pick up a broom and start sweeping. In an organization like ours, you can't have any prejudices. If someone says to me, "You're the president; you shouldn't be pushing a broom!" I tell them to forget it.

In fact, that's the biggest problem we have: sometimes we think like workers and we say, "My productivity is increasing; you have to pay me more." The only thing we can do is remind our members that they have to think like owners and workers at the same time. We don't earn wages here: we divide what we make among all the participants. If you work hard, you earn more; if you work less, you earn less. Because around here, nobody is the boss—we're all the boss. It's a different way of thinking for us, something that takes a long time to sink in. We have to learn how to do our jobs as workers and to fulfill our responsibilities as businessmen.



Jeffrey Fox

"We put in our youth, our own bodies."

Ubaldo Bautista Chaires, machine operator

When I came here, they were looking for an experienced machine operator, not just a carpenter. That was 14 or 15 years ago and I've been here ever since. I'm a member of the cooperative now; you might say I'm the senior man.

As far as I'm concerned, the biggest problem we've had is disorganization. What happens quite often is that one department can't handle the flow of components, and then for lack of a single piece, the entire process gets bogged down. The finished product doesn't come out and we lose a couple of days. We shouldn't have that kind of problem; everybody's been around at least two or three years, and there are plenty of members who've been here longer than that. By now, we know what has to be done first, how to do it, what comes next. If we were organized a little better, we could avoid the interruptions, and everything would come out the way it's supposed to. What we really need is a little more patience with each other, especially when someone makes a mistake. No matter how much you know, you always make mistakes. But if someone doesn't point it out to you, you don't see it. And when you see it, you have to be mature enough to recognize it and to admit that you did it. You can't get angry or deny it. If you're in

charge of something, you have even more opportunity to do something wrong. So when it happens, you have to let the people who work for you tell you about it. If you're doing your job well, you'll accept the responsibility.

We had a general meeting about this recently because some of the older members like me weren't happy with the way things were being run. For example, I put in 60,000 pesos of my severance pay, and I told them they were taking too many chances with my money: we felt that a lot of mistakes were being made in all the departments. According to our rules, all members are supposed to receive six percent interest on their investment, but the new members come in and just start working. Of course, they're also supposed to buy at least one share, which costs 5,000 pesos, but only 10 of them at most have done it. They join the cooperative, and a month later, they have the same voice as everyone else. As for the older members, we not only put in our money, we put in our youth, our own bodies, which we'll never get back. So I told them that it was really a moral issue and they decided to give us our six percent—though they wouldn't make it retroactive. It's tough to see a new person join the group, and in a minute or two, they're making decisions about your life. That's still a problem; if you think about it, you can find a lot of things like that to be unhappy about. Still, you can't let those troubles sidetrack you from your main objectives.



Jeffrey Foxx

"It's a kind of discipline you're not even aware of."

**Benjamin Salas Hernandez,
machinist and treasurer**

When we opened our doors, the only thing we had were the machines—the good ones and the bad ones alike. We had no inventory whatsoever because the owners had taken out everything they could carry. There were a few pieces of unassembled furniture stuck in a corner somewhere, so we put them together and sold them. Even to get that done, we had to organize a meeting, elect a board of directors, and make our plans. To be honest, I'd have to admit that we didn't have the vaguest idea what we were doing; what we had was our enthusiasm.

So we elected the first group of officers and I was asked to be treasurer. My job was to buy what we needed, do the payroll, and keep track of the timecards. The worst part about it was that we didn't have any money at all. Our products were well-known, which helped us out eventually, but we didn't have anything to make them with. Then a few suppliers began to give us a hand by selling us wood on credit. We also bought paint sprayers and air hoses at a place called "B&M," and they gave us 30 days to pay. I opened an account with them that we still use. At the time, a check from Muebles Nacionales wasn't good anywhere; it took them awhile to believe in us. But it all worked out well in the end—and of course, we don't forget about the people who helped us when we needed it.

Of course we've had a lot of problems; I think every cooperative has them. But the problems also have solutions. One solution is that some people have to leave—the people who don't understand what we're doing or who can't get used to it or who want to work by themselves. And then you find other people to replace them. That's why we've started our own adult education program. We teach people how to realize their own potential, how to think and act for themselves. We have classes in basic cooperativism which cover things like management, sales, organization, self-realization, personality—all sorts of subjects. They really helped to open a few people's eyes. That's important because the educational level around here is very low. Take me, for example: I finished high school 38 years ago. What we're trying to do is make up for all that time in a year or two—to take advantage of what we already know and apply it to the cooperative.

That's really what our basic idea is: if our members can put a little more into their work, they can get more out of it, make more money. If you want to earn more, all right, learn your job better, understand yourself a little more, figure out what you should be doing. Because around here, nobody is going to tell you, "This is how you should act. Just do your job and don't worry about anything else." The truth is that running a cooperative takes a lot of discipline. But it's not a rigid kind of discipline: it's something that emerges right out of the work itself. Nobody has to enforce it—it's the kind of discipline you're not even aware of.



Jeffrey Foxx

"Somehow you have to find a role for yourself."

Marta Sanchez, manager

A few years ago, the cooperative opened a bank account and began to manage its own cash flow. At the time, nobody would give us any credit—nobody! Once in a while they would advance us something against a customer's note, but that was all. Then I read somewhere in a coop magazine that the government had created a special agency—the Cooperative Society Guaranty and Discount Fund (FOSOC)—to work with groups like ours. I visited a few of the banks and they said they'd never heard of it. I looked up the magazine article again and found a phone number in Mexico City, so I called them. I said that we were interested in applying for a loan and asked them to send us the forms because, in Mexicali, nobody knew anything about it. They sent us a packet by pouch through the Bank of Mexico.

When the packet arrived, I spoke to them again and said that we would be in Mexico City in one month's time. Then we began to work on the reports they wanted. This time we didn't hire any outside consultants—we did the whole thing ourselves! The final document has 10-year projections; it discusses equilibrium points and internal return rates.

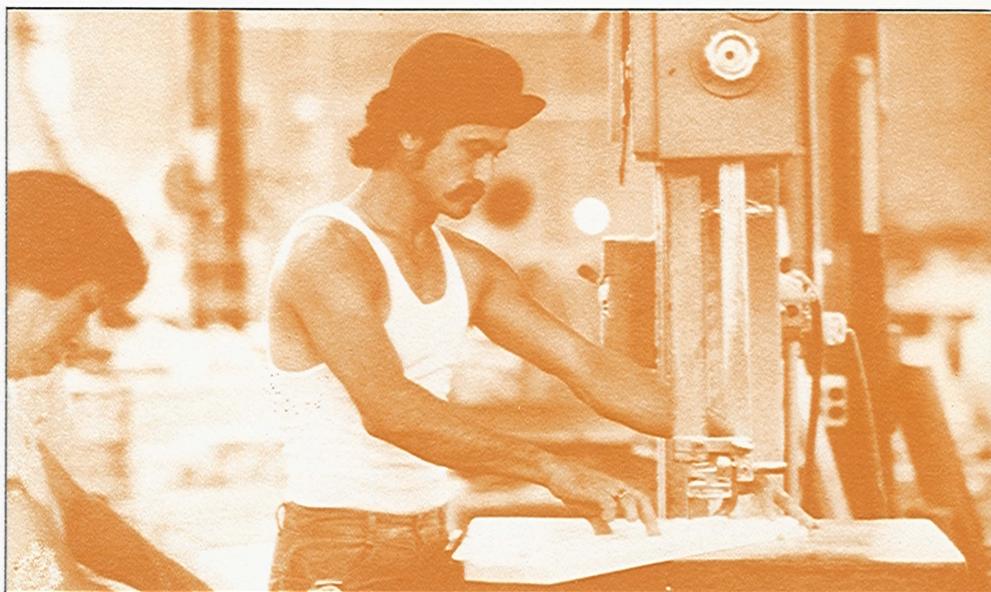
Exactly one month later I was knocking on the door at FOSOC in Mexico City. The director glanced at our report and said, "It looks good, *señora*. How much time

can you spend in Mexico City?" And I told him, "Let me put it this way: we're not leaving until we have an answer!" So he turns me over to one of his assistants, an economist who tried to tear the document apart. But he didn't get very far because we knew the thing backward and forward. The next day they passed me along to an accountant who tried to do the same thing. The day after that, it was a specialist in factory management. Finally, on the third afternoon, I went back to the director and complained: "Is this how you treat coop members? You're supposed to help them get credit and you spend your time terrifying them!"

He said, "I'm sorry," and signed our request! That's how we got our loan: 12 million pesos (US\$917,000). What he was really doing was testing me, trying to see how much I knew about cooperatives so he could offer me a job. When I left, I was the regional advisor for Baja California!

We've administered this loan exactly according to the guidelines we were given. We have a thick folder full of receipts and vouchers—everything is in perfect order. Moreover, it's the only loan we've ever taken out. We *have* asked them to let us use it as a revolving fund if we need it, and we're applying for an export loan which we're also going to receive.

I've used the same procedure to get loans for other cooperatives, too. Now that I know what to do, I work with the officers and help them put together a solid proposal: I tell them not to hire fancy consulting firms that just take old reports out of their files and sell them a new cover. We go through the exercise together and learn what we need to know about their coop's finances. From my perspective, it's an excellent opportunity to do some education: cooperatives use the proposals in their annual meetings, they use them to set their own priorities, they use them to draw up a five-year prospectus, etc. In other words, they learn how to think about their future and to plan their activities. The bankers come in and they don't have the vaguest idea what's going on. It's the coop members who master the fundamentals of financial planning!



Jeffrey Foxx

What bothers me is that we now have a loan mechanism for cooperatives but nobody knows how to use it. The banks are supposed to tell them about FOSOC, but it doesn't really work that way. For example, I'm the only FOSOC representative outside of Mexico City. Sometimes I have to deal with 10 separate banks before one of them will accept a project. At the same time, I'm working on proposals with 10 or 12 different groups: agricultural coops, consumer coops, transportation coops, industrial coops.

One of the things that has always worried me is how isolated and vulnerable most cooperatives are. So, here at the factory, I've tried to use credit as a mechanism to bring different groups together: our office has become a sort of clearinghouse for coops all over the state. In a formal sense, of course, what they need is to belong to some sort of cooperative federation. For the time being, we've made friends with many groups who use the factory as a reference point, as a place to talk about their problems and get some friendly advice or support. Nobody's made any serious, formal commitments, which is why the idea of forming social solidarity groups continues to intrigue me.

In a sense, I have the same problem: if you don't work with self-management, what are your alternatives? Academic life doesn't have much to offer. Neither does teaching. Joining some marginal political party is out of the question. Somehow, you have to find a role for yourself, however limited it may be. And if you can't build ties to other organizations, all you end up with is a little business that makes a nice living for 60 families and they stop worrying about everyone else.

ROBERT WASSERSTROM is a senior associate at the World Resources Institute in Washington, D.C. These interviews are excerpted from his forthcoming book, If We Didn't Argue, It Wouldn't Be A Meeting. The book includes oral histories of seven organizations that have received IAF support.

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Mitchell Denburg

Juan García, *right*, with coastal villagers of Esmeraldas Province.

Born in 1944, Juan García Salazar grew up in a small village near the mouth of the Santiago River in Ecuador's Esmeraldas Province. His mother, a local woman, was black; his father, a refugee from the Spanish Civil War, was a Spaniard. When Juan was five, his father died, and his mother sent him to live with a doctor from a nearby island who promised to take care of the boy in exchange for his labor.

Forced to leave school early to earn a living, Juan is largely self-educated. He learned Italian while studying at an orphanage run by Italian priests, and he learned French while living with a French-speaking family. He has an extensive knowledge of African poetry written in French and has studied source materials on the slave trade from French West Africa. He learned research skills and anthropological techniques while working as a field assistant for several scientists. Along the way, he also has acquired some English.

Since early childhood, Juan has held one job or another. As a boy, he sailed with his mother throughout the local island estuaries as far as Tumaco to trade rice for clothing. Later, he learned carpentry. He operated a small factory in Bogotá for several years before eventually returning to Esmeraldas as a volunteer social worker and schoolteacher in the black communities along the Santiago River.

After his return to Esmeraldas, Juan became increasingly disturbed by the rapid and widespread dissolution of traditional black culture. At the heart of the tradition were *décimas*, an adapted form of Spanish poetry, and the *decimero*, the person who recited memorized poems and/or composed new ones. The personal and group experiences of generations of black Ecuadorians were embedded in this rich oral lore. Now, those voices were being drowned out by radio and television and by standardized school curricula. Since neither Ecuadorian nor foreign anthropologists had taken much interest in studying or recording this oral tradition—and since illiteracy among Blacks was high—Esmeraldas' past seemed about to disappear without a trace. So, using a tape recorder, a camera, his notebook, and his skill as an interviewer, Juan launched a one-man campaign to collect, catalog, and study examples of Afro-Ecuadorian culture.

In 1978, he received a small grant from the Central Bank of Ecuador, which helped support him while he collected *décimas*. A grant from the Inter-American Foundation has assisted Juan's work since 1980 on a more extensive project that includes the studying of rituals, myths, folk medicine, music, and household artifacts in Ecuador's two major black communities—Chota and Esmeraldas—and researching archives on slavery.

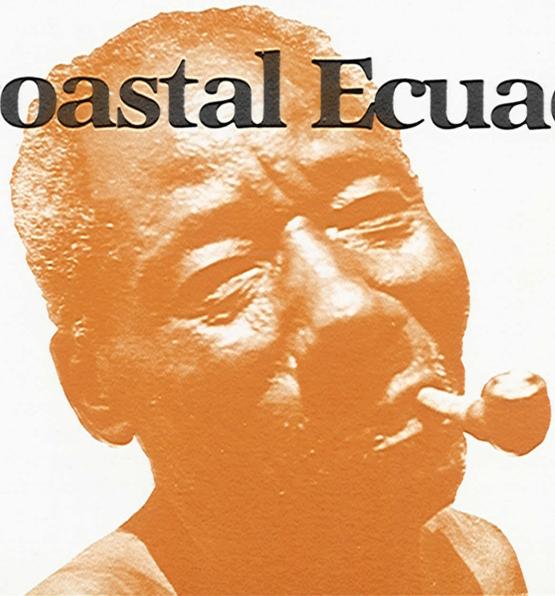
Beyond his own studies, Juan has worked hard to promote and publicize Afro-Ecuadorian culture to all of his countrymen and to Blacks in particular. He has lectured at the Banco Central in Quito, at the Military Academy, at universities, cultural centers, schools, and in peasant communities. He has also provided materials to schools and has directed a thesis, *Slavery in Ecuador*. In 1979, he gathered a group of about 15 black university students and professionals together in Quito to found the Afro-Ecuadorian Study Center. The center recently published the first of a forthcoming series of *Cuadernos Afro-Ecuadorianos* (Afro-Ecuadorian Pamphlets) to disseminate information about black-Ecuadorian culture to urban and rural Blacks.

Black slaves sailed to America with the first Spanish explorers, traveling with their masters on expeditions throughout the New World. But until 1517, when the slave trade between Africa and America began, those Blacks were born in Europe and had been Christianized. Africans were not permitted in the Americas out of fear that their religion might "contaminate" the Indian population.

After the traffic began, of course, colonists were usually contemptuous of their new slaves and their traditions, characterizing Africans as so dull-witted that there was no point in educating them or their children. In the Spanish colonies, in fact, it was illegal to teach Blacks to read or write, and oral instruction was limited

Black poetry of coastal Ecuador

JUAN GARCIA SALAZAR



to religion and work-training.

The ability of Blacks to preserve their ancestral traditions depended not only on the moral and legal codes of their European owners, but also on the attitudes of native Indian populations, on geography, and on climate. Ecuador was a relatively benign area for the Africans, and its black communities were able to sustain much of their African heritage. African culture was also preserved by *cimarrones*, or run-away slaves, who started independent communities far beyond the reach of any owner (although in these clandestine and isolated societies, ancestral traditions were fragmented since the *cimarrones* came from different tribes). Finally, slaves were permitted to entertain themselves on certain feast days; and the music they played, the stories they told, their drums, dances, riddles, and oral poetry fused into the new syncretic culture of black America.

When slaves did maintain some of their African traditions despite the diaspora, those practices were ridiculed by other Latin Americans and were even forbidden by law. Black freedmen frequently tried to improve their status by assimilating Spanish culture, forgetting their slave past, and denying their African heritage. Those efforts to rise socially and economically usually failed, and Blacks remained in the poorest, most-deprived class. Any use of African tradition in the literature of the day was seen as proof of poor taste, and both writers and critics tried to erase all such traces. Blacks with even a rudimentary education copied the European models adopted by the local ruling class.

The Negritude Movement, which began in Paris during the 1930's among black students from the French colonies of Africa, paved the way for acceptance of black poetry by educated Latin Americans. Black poetry was also promoted by a shift in Latin American literature that took place during the late 19th century. Many writers began to search for national identity and a "continental awareness" to protest the social injustices that were inherited from Spanish colonialism. The

fate of Blacks came to be seen as an integral part of the history of that oppression, and the new attitude helped legitimize black literature as an art form.

The literature of black Ecuadorians has centered on oral poetry. It has been given the Spanish name of *décima*, although its form is very different from the classic composition created by Vicente Espinel in the 16th century. The Spanish *décima* is a stanza with 10 lines of eight syllables each and a strict rhyme scheme of *abbaaccddc*. The American *décima* found in Ecuador is a poem that begins with a *redondilla* (a four-line stanza) that is composed of the last lines of the four 10-line stanzas that follow. Generally, rhyme and meter are looser in the American version.

The American *décima* is a child of both African and Hispanic culture. Of course the language is Spanish, as is the original form, and Christian motifs frequently appear in the poems. But it is Africa which provided the framework that explains why these poems have been so important to Ecuadorian Blacks. In Africa, there were two kinds of poets: chroniclers and storytellers (or balladeers). In both cases the poetry was oral. The poet was required to memorize poems that had been handed down and also to compose new ones. The chronicler was a highly respected person who knew by heart the genealogy of the village or clan chief, recounted heroic deeds, and recorded the customs of the group. Chronicles often stretched back to the creation of the world, and chroniclers were consulted as though they were living libraries. The balladeer, or storyteller, on the other hand, was known for his wit as well as his memory. Balladeers preserved the proverbs, the stories, and the anecdotal history of the group. They also performed in public literary duels that tested each poet's ability to compose spontaneous, sometimes barbed, verse.

In Ecuador, the *decimero* (the reciter of *décimas*) is both chronicler and balladeer. A *decimero* may compose his own poetry or the *décimas* may be handed down, but the language is highly figurative and rhythmic to make memorization easier

and to display artistic mastery. The style feels African, and traditional African themes are often used.

Basically, there are two kinds of *décimas*: those that deal with the "human" and those that deal with the "divine." *Décimas a lo divino* have their roots in Catholicism, the only religion the slaves could safely practice. Catholicism not only promised the slaves a better world to come, but by devoutly embracing their masters' religion, slaves gained their masters' confidence. Even today, *decimero*s receive special status for their knowledge of the Bible. The subjects of divine *décimas* range widely: from tender evocations of Jesus, to meditations on original sin, to speculations about the end of the world.



Décimas a lo humano range across the whole social life of coastal Blacks. In these poems, the poet can interpret and narrate his community's experience. Many *décimas* recount historical events—often the community's only historical record. Other poems are satirical—pricking pompous politicians, Hispanic culture, or local attitudes. Some *décimas* are simply good stories—flights of fantasy.

Ecuador's black poets also engage in *argumentos*, or poetic duels. The duels use the *décima* form, and also focus either on the divine (*argumentos a lo divino*) or the human (*argumentos a lo humano*). One decimero recites a poem, and the next poet must respond. Grounded in spontaneity, these literary faceoffs challenge the competing poets' verbal dexterity, their wit, and their knowledge of the Bible and secular subjects (even such unlikely ones as mathematics). *Argumentos* are full of flash and thunder, and they provide a forum where younger poets can also display their talents.

For the past seven years, I have been taperecording and transcribing *décimas*. More recently, I focused my research on Esmeraldas and Imbabura Provinces, which have the two largest black populations.

Since there is no living decimero tradition in the Chota Valley of Imbabura, my field assistants and I did our actual *décima*-collecting in Esmeraldas. We divided the province into two sections that we visited for 10 months each. The northern zone ran from Rio Verde in the south to San Lorenzo in the north and included the Santiago and Onzole Rivers. In this area we studied seven key communities: La Tola, Limones, San Lorenzo, Playa de Oro, Izquandé, Rio Verde, and Chontaduro. These communities are about 20 kilometers from each other. Some are located on the coast while others are situated along the rivers. The northern region is very difficult to reach, and the influence of modern culture is less apparent. As a result, the old ways are more purely intact. All of the decimeros we found who also composed their own poetry came from this area.



The southern zone extended from Rio Grande in the north to the Muisne River in the south and included the Quinindé River. Here there were larger towns, such as Esmeraldas and Quinindé, and more modern forms of communication. The area is a center for commerce and tourism. Not surprisingly, authentic traditions are being lost more quickly here, and there are no more decimeros who compose their own work. We visited many settlements but found decimeros who could recite the older décimas only in Esmeraldas, Quinindé, Atacames, and Muisne.

As soon as we heard of a decimero in either the north or south, we would visit him. First we would chat and ask about his background: his age, place of birth, job, and so forth. Then we would ask him to talk about his work as a decimero. Did he compose or only recite? Where had he learned his décimas? Where was he known? Finally, the decimero would recite some of the work he knew so that it could be recorded on cassettes. We could not ask the poets to write down their décimas since almost all of the reciters were illiterate.

Once the material was collected, décimas had to be transcribed while taking care to preserve the idioms, the metaphors, and the new words coined by each decimero. Afterwards, it seemed like a good idea to prepare a glossary so that the poems would be more accessible to the general reader.

Altogether, we collected about 300 décimas and interviewed about 20 decimeros. A representative anthology of these poems and an analysis of the tradition were recently published by the Banco del Ecuador, which will make the work more available to the Ecuadorian public. Ironically though, even as we began making a written record, the end of the tradition

seemed nearer. We found only about half-a-dozen young decimeros, and the radio is displacing oral poetry in even the remotest areas.

I do not believe that my collection of décimas will reverse or stop any of these trends. Preservation of the past, however, has opened up some new possibilities for the future. A wealth of information has been gathered which has, in turn, spawned books and even dissertations on black culture in Ecuador. Some of the décimas may be used by the Ministry of Culture as basic educational material in the schools and in adult literacy programs. The décimas can also be used more informally by small study groups that form around an interest in black culture. Even the radio, which thus far has been a nega-

tive force, could play a part in maintaining oral traditions. There are cultural programs that need suitable materials to broadcast, and the décimas are there, waiting to be used. Finally, black Ecuadorians now will be able to refer to their own established and written record of a legitimate tradition of literature. Pride in past accomplishments strengthens self-respect and lays the groundwork for future development.



COMPLAINT AGAINST THE RAILROAD

There's a complaint before the judge,
the judge of the circuit court:
the train has killed some boys
along the railroad track.

"Come here, Mr. Railroad,"
His Honor called aloud,
"Why did you kill the boys
who were only walking around?"
"Oh sir, I don't kill anyone,
they make me—it's the truth.
The boys just ask for trouble,
they always look for death,
and I don't care if people
complain before the judge."

There's a brakeman on the train,
you'd think he'd look around
for guys standing on the track
so he won't run them down.
He should stop the train right away
and not just let it race,
for the life of any man
is worth a lot to the state,
and this complaint's been brought
before the circuit judge.

If this is true then I
can save Railroad some strife;
nobody is to blame
if a man throws away his life.
The railroad runs along
its track in a race against time;
and if the brakeman wanted to,
he just couldn't stop on a dime.
The train just couldn't stop
along the railroad track.

LET'S ALL GET TOGETHER

Let's all get together
all of us in Limones
and ask the Health Department
to get rid of the rats.

People are in trouble:
a huge army of rats
eats up all our food
and even scares the cats.
No animal is as smart
as the wily, clever rat.
No trap can catch him
and he's growing very fat.
All of us in Limones
let's all get together.

One day a woman said
"I've lost a bar of soap."
Later she found out that
it and a rat eloped.
A perfumed bar of soap,
what could they want it for?
They can't eat the soap,
and never wash, I'm sure.
Let's all get together
all of us in Limones.

I bought a basket of corn
and left it out alone.
The next day—not even husks—
the kernels were all gone.
Everything was eaten;
the rats had made their meal
right there in the basket.
Get rid of the rats. That's all!
Let's ask the Health Department.

I haven't finished telling
my story without end.
Rats swarm throughout the world
you can't get rid of them.
By day the coward-rat hides,
he goes inside a cave;
he only comes out at night—
that's when a rat is brave!
Let's ask the Health Department
to get rid of the rats.

THE COW FLEW IN A PLANE

The cow flew in a plane
to the Port of Buenaventura
because here in Tumaco
the poverty was so bad.

She left for Panama
on yet another plane
and had them pull a tooth—
she couldn't stand the pain.
She had pains 'round her heart,
she wanted an examination.
They couldn't find a cure,
she wanted an operation,
and for these mysterious reasons
the cow flew in a plane.

She went with the idea
of finishing what she began,
of finding out about
the Korean War if she can.
For many of the creatures
are having a time that's rough,
only the rich can play
and rest and eat enough.
But for the poor cow,
the poverty was so bad.

When she was healthy again
and we thought she was back to stay,
she wanted to take a trip
to the U.S. of A.
to see what she could see
in that cold place far away.
She wanted to talk to the priests
and to the Chief of State,
and for these mysterious reasons
the cow flew in a plane.

THE BLACK GOAT

Between la Tola and Limones,
from Limones to Borbón,
there's a black goat walking
and his title is Esquire.

Every Christian knows him,
every man in the place
knows Señor Eloy Lara.
One quick look at his face—
you'll know how bad he is.
His mean and evil ways
glare in those cold hard eyes,
this snake with his devil's gaze
between La Tola and Limones.

Back in 1900
someone paid his bill—
just when the sucker forgets it
he gets another bill.
The snake takes ten percent interest,
he pushes your back to the wall
and says to you "My friend,
I want my money, that's all."
And he walks, as I was saying,
from Limones to Borbón.

How many poor unfortunates
have paid their lives away,
the wretches have lost their shirts
to this serpent without shame!
That's how he treated Valencia
and poor Severo, the clod,
and that's why Quintero said
"We can only leave him to God."
And with his rapid step
there's a black goat walking.

I wish that God were willing
to send a tidal wave
that would sweep the snake out to sea
and drown him, the dirty knave.
Everything he does is evil,
no man would feel any grief
because nobody has any love
for that shyster lawyer thief
who mistreats everyone of us.
And his title is Esquire.

THE BLACK MAN'S QUESTION

Like the ignorant man I am
I really have to ask:
if the color white is a virtue
why don't you whiten me?

It's no insult to be black,
don't let it give you the blues,
even society ladies
wear their shiny black shoes...
and black eyebrows and black lashes
and beautiful long black hair.
Let anyone here explain,
my question is very fair.
I really have to ask
like the ignorant man I am.

I ask without hesitation,
it's something I don't understand:
when the Lord who made us all
mixed His water and sand,
what color clay did He use
to give father Adam shape?
And if you want to shut me up
first answer—I'll shut my trap.
Like the ignorant man I am
I really have to ask.

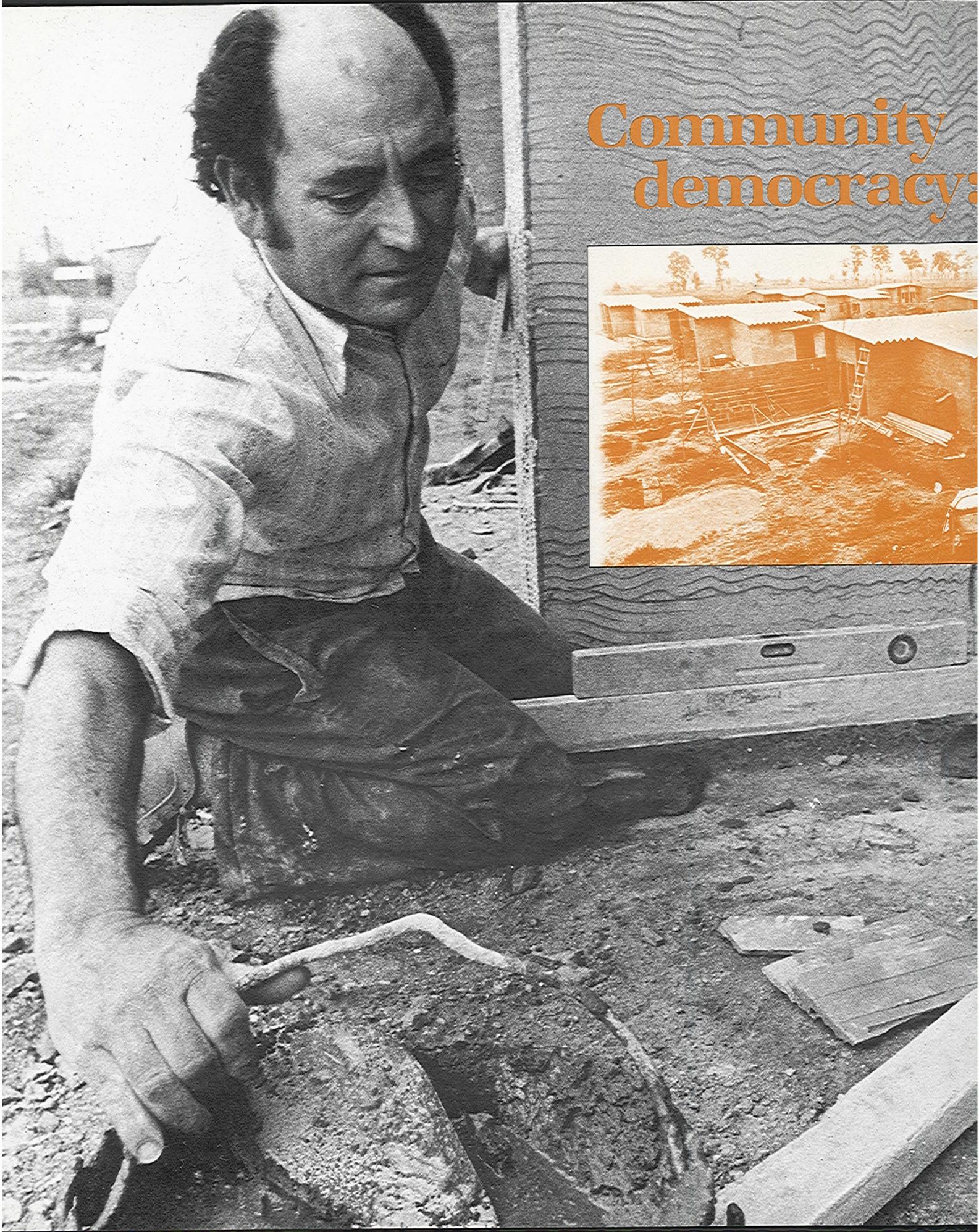
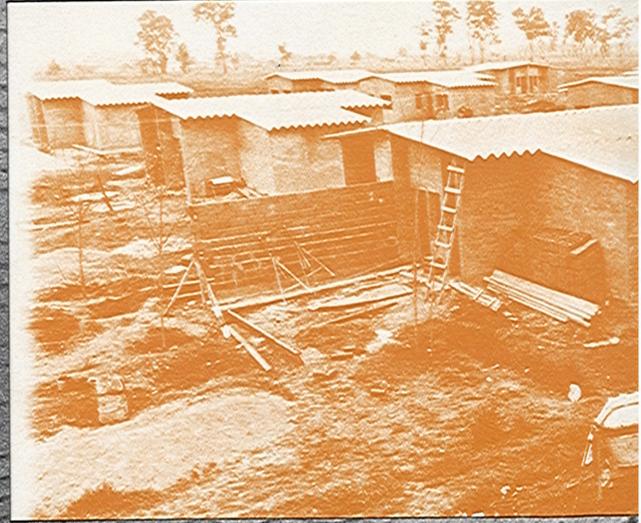
I ask (because I want to)
if being black is a crime.
I've never seen white letters
since the beginning of time.
Christ's holy cross was black,
that's where our Savior died,
and Mother Mary wore black
when Her Son Jesus died.
I really have to ask
if the color white is a virtue.

The black man with his blackness
and the white man with his white,
all of us come to our end
in the tomb as black as night.
Then, the beauty of white ladies
will end from pole to pole,
and the critic will be finished
and the man as black as coal.
If the color white is a virtue,
why don't you whiten me?

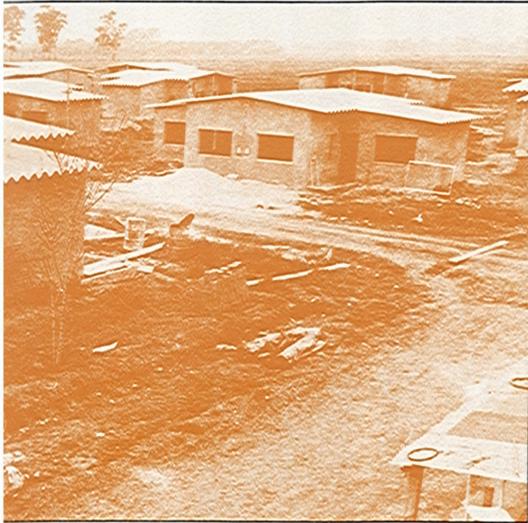
JUAN GARCIA SALAZAR's book, *La poesía negra en el Ecuador*, (Esmeraldas: Banco Central del Ecuador, 1982), and further information can be obtained by writing to: Cuadernos Afro-Ecuatorianos, Apartado 6432, CCI Quito, Ecuador. Poems and text for this article were translated into English by Edith Grossman, a poet and translator who lives in New York. Photographs are by Juan García.



Community democracy:



housing groups in Argentina's Getting in on the ground floor



DIANA PAGE

The pot-holed lane between the shacks and crumbling walls of the Buenos Aires shantytown is called "Mozart Street," as if the name could distinguish the place. Then suddenly, at the end of Mozart Street, one finds an unexpected order, symmetry—a matrix of 60, simple but solid, still-unadorned houses.

For over two years, a group of men and women has labored to build these homes in the San José Obrero barrio. They have worked every Saturday, Sunday and holiday. The land was bought at a low price from the local bishop, and Father Jose "Pichi" Meisegeier, a prime mover in many self-help housing projects, helped organize funding and technical assistance for the group.

The construction was done by contracted labor as well as teams of future residents, thus saving time and money. The teams were made up of 12 people, who worked on each house until only the finishing touches were left for the individual owners.

The shortage of adequate housing in Argentina affects over two million families, according to various studies. In the last five years, 17 cooperatives, or neighborhood organizations such as the one in San José Obrero, were formed in Argen-

tina to help poor people build their own houses. Although 2,200 homes have been constructed, this represents no more than "an island in the sea of the needy," according to Oscar Yujnovsky, director of the Centro de Estudios Urbanos y Regionales (CEUR) in Buenos Aires.

Indeed, the appearance of a small number of self-help housing organizations seems unremarkable, until one considers Argentina's recent political environment. These groups were hardly encouraged. On the contrary, they evolved in spite of the policies of a military government.

It was 1976 when the most recent period of military rule began for Argentina. About eight percent of the population of Buenos Aires already lived in shantytowns known as *villas de miseria*, and the new government's economic policies aggravated the situation. When a 30-year-old rent freeze was lifted, rental prices leaped. Both mortgages and rents were indexed to inflation rates, and the cost of living annually continued to almost double. Meanwhile, wage increases were held to lower levels, and new land usage laws made it nearly impossible to purchase small plots for new housing. Thousands of families were forced to look for alternative housing, and the population of the

villas de miseria and *conventillos* (tenement houses) swelled.

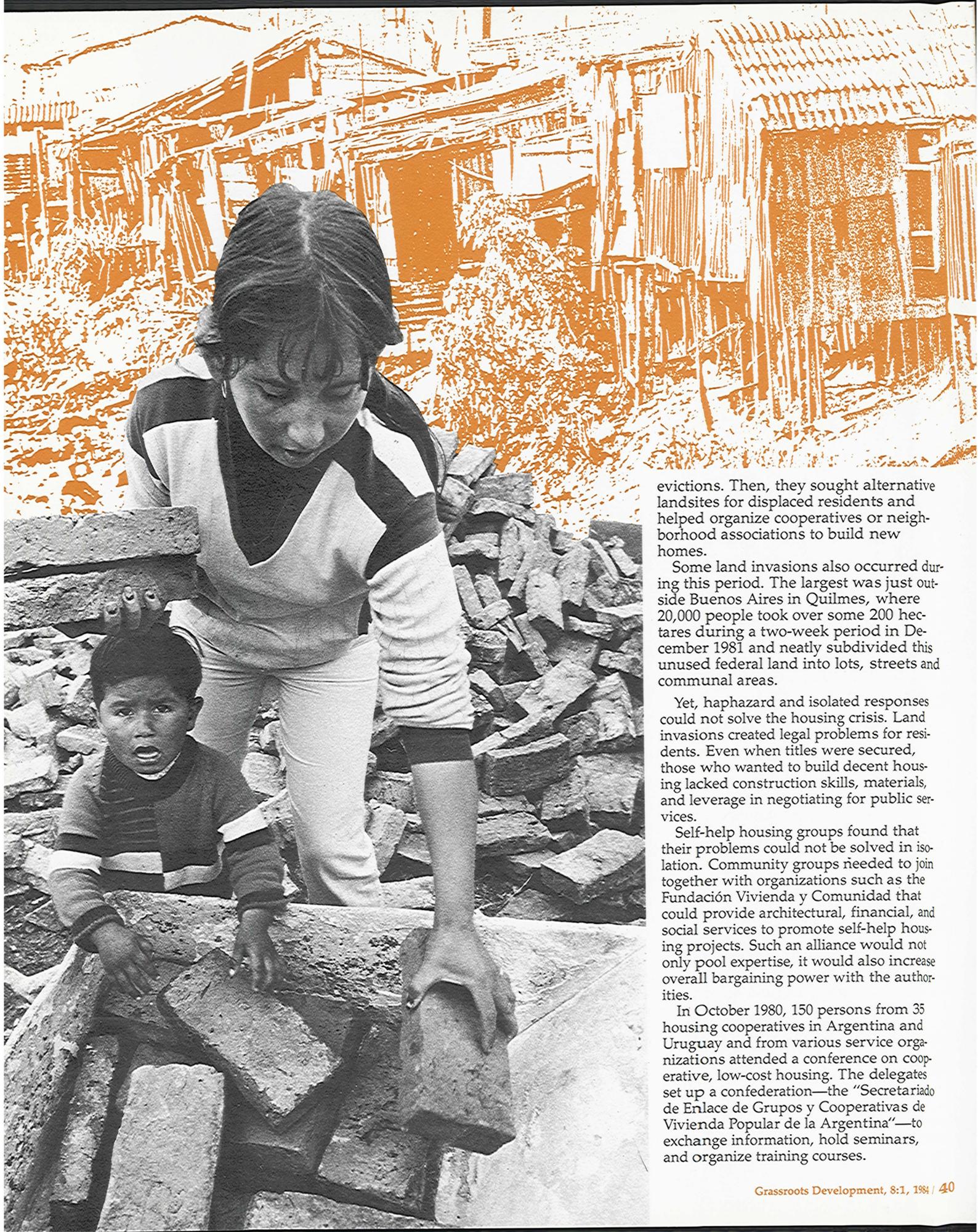
The mayor of Buenos Aires decided it was time to eradicate the *villas de miseria*, which he viewed as blots on his city. Removal was a simple military operation: send in trucks, load up the people and whatever they could carry, then dump the cargo somewhere outside the city limits.

One explanation for this policy was expressed by an undersecretary for the municipal housing commission: "Our only intention is that those who live in our city be culturally prepared for it...not just anyone can live here."

New *villas de miseria* sprang up outside the city limits, but along came another government project, the "Cinturón Ecológico." This land-fill program was designed to surround the city with a green-belt of parks. Once again, the *villas* were bulldozed.

The *villeros* were not able to protest. A CEUR study of the self-help housing groups concluded that the eradication plan met little opposition because of "the impossibility of any action by community organizations, which had been banned since 1976, and because of the climate of terror in the background during those years."

Parish priests and other concerned individuals did what they could to help. At first, they stalled for time, trying to delay



evictions. Then, they sought alternative landsites for displaced residents and helped organize cooperatives or neighborhood associations to build new homes.

Some land invasions also occurred during this period. The largest was just outside Buenos Aires in Quilmes, where 20,000 people took over some 200 hectares during a two-week period in December 1981 and neatly subdivided this unused federal land into lots, streets and communal areas.

Yet, haphazard and isolated responses could not solve the housing crisis. Land invasions created legal problems for residents. Even when titles were secured, those who wanted to build decent housing lacked construction skills, materials, and leverage in negotiating for public services.

Self-help housing groups found that their problems could not be solved in isolation. Community groups needed to join together with organizations such as the *Fundación Vivienda y Comunidad* that could provide architectural, financial, and social services to promote self-help housing projects. Such an alliance would not only pool expertise, it would also increase overall bargaining power with the authorities.

In October 1980, 150 persons from 35 housing cooperatives in Argentina and Uruguay and from various service organizations attended a conference on cooperative, low-cost housing. The delegates set up a confederation—the “*Secretariado de Enlace de Grupos y Cooperativas de Vivienda Popular de la Argentina*”—to exchange information, hold seminars, and organize training courses.

As an end to military rule came in sight, the Secretariado began to look at how a new government might meet the housing needs of the poor. "We began at the national level to exchange ideas, and we became a federation to try to influence legislation, particularly on land usage," said Ezequiel Zapiola, an architect who heads the Fundación Vivienda y Comunidad.

The Secretariado wrote in its newsletter:

If the solution of our problems depends on decisions by the government, then we must provide ideas and say what policies we think are best, what laws necessary, what actions, and what lines of credit. We are going to benefit from the adoption of correct policies, and we are also going to suffer directly the consequences of erroneous governmental decisions. And since errors can occur, no matter how well-intentioned the policies may be, we must participate in the study of the issues, in the proposals and the rules, that is, in the matters where decisions most affect us. The problems the next government will encounter are of such magnitude that we must all help.

Elections were held October 30, 1983, barely a year after the political parties were allowed to organize their campaigns and platforms. The new government would face a desperate economic situation: an annual inflation rate of 365 percent, an empty treasury, and a foreign debt of \$40 billion. It was clear that the country was not going to be able to afford a massive construction program to attack the housing deficit.

Nevertheless, each political party would elaborate policies and plans for coping with the housing crisis. The representatives of the community organizations wanted a voice in that process. The problem that they faced was how groups without influence or political experience—but with much to lose from insensitive policies—could ensure that they would be heard during and after the political transition.

The two largest parties in Argentina are the Justicialistas—as followers of the late Juan Peron are officially known—and the Radical Civic Union—whose roots go back to the movement for democratic reforms in the last century. The Radicals were identified mainly with the middle class, but in this campaign they actively sought to win working-class votes away from the Peronists, who control the unions. The ban on political activity for half a decade had smothered most grassroots participation, and political parties felt the lack of dialogue with a broad constituency.

As elections approached, the parties welcomed contacts with whatever groups could legitimately claim to represent the interests of the poor. Thus, the self-help housing cooperatives organized through the Secretariado—while representing only a tiny proportion of the residents of the precarious villas—found they could obtain access to political groups and serve to convey the concerns of their communities.

The leadership of the housing groups was not entirely drawn from the communities. Each group counted, at least initially, on the initiative of priests and other professionals. This kind of community representative had personal contacts in the political parties which could be used to gain a hearing for the Secretariado's ideas on housing.

The federation's first action was to draw up a blueprint for the kind of housing policy they could support—"Suggested Actions for Housing Programs."

"We believe it would be ridiculous to assume that the country will be able to meet the housing requirements in a foreseeable period, since there are no magic solutions and no one believes in monumental plans. Solutions do not lie solely in state intervention," the platform emphasized. "It is essential that the affected communities play their role—a key and indispensable one—in the task of decently sheltering the two million families now struggling to meet their basic housing needs." The basic position of the confederation was to legalize ownership of the land where necessary, and to support

self-help housing programs through government credit subsidies, better technical assistance, and less red tape.

The Secretariado's proposals called for:

- Recognition and legalization of uncertain land possession with rights and priorities to squatters;
- Suspension of all evictions until there are tangible solutions for the needs of the inhabitants;
- Designation of housing programs run by non-profit organizations such as cooperatives or neighborhood councils to be 'in the public interest,' making them eligible for special treatment by the government;
- Provision of land for these programs through the formation of a state 'land bank';
- Completion by the state of basic infrastructure and public services for communities;
- Regulation of the commercial subdivision and sale of land because many poor families suffered losses as a result of unscrupulous schemes;
- Simplification of planning and building codes;
- Establishment of special lines of credit for non-profit organizations involved in community housing programs;
- Decentralization of the decision-making process of regional housing programs.

Two months before the election, advisers from the main political parties were invited by the Secretariado to a three-day conference to discuss community housing. Representatives of the Justicialista, Radical, Christian Democrat and MID (Movimiento de Integración y Desarrollo) parties attended and participated in discussions at seminars. Watching the exchange between the self-help housing advocates and the politicians were Uruguayans and Chileans, who might someday see this as a model for similar discussions in their own countries during a transition to democracy.

The conference opened with a presentation of the housing policy guidelines in the confederation's platform. Juan Gomez Borrut, director of the Secretariado, told the conference, "We ask the state to recognize that various approaches to hous-

ing exist, including all the variants of self-help construction. Policies should encourage and not impede these efforts." Beyond this, he and other participants emphasized their desire to join in the development of a national housing policy—"What we ask for is a normal role in a democracy."

People attending the conference repeatedly reasserted the Secretariado's awareness that Argentina's economic situation rules out a major claim on the budget for housing subsidies or the construction of large housing projects, and that improvements must be sought primarily through legal and policy changes to facilitate self-help programs.

There was also, however, a call for limited government subsidies. A CEUR study had shown that none of the present housing groups could have succeeded without subsidies from some source. Furthermore, the amount of free time poor people have to devote to home construction is limited. Home-building—even with substantial participation from the future resident—is an expensive and lengthy process. It imposes costs that poor individuals, families, and communities cannot necessarily meet unassisted.

The consensus of the conference was that self-help housing, despite its limitations, has a rightful place in Argentina's future housing policy. Resident participation in housing construction was recognized as a legitimate and realistic rather than an aberrant approach to a national problem.

What will be the impact of this effort to formulate a "policy" and gain access to future decision makers? At a minimum, the organizers of the conference had gained the ear of individuals who would have a role in the next government. There was at least a reference to community participation in housing programs in the platforms of both the Justicialista and the Radical parties.

Comparing the two parties' positions on housing, the Peronist policies continue to lean toward massive projects. Its "National Plan for Housing and Urban Development" called for the construction of 136,000 housing units the first year, with 12 to 25 percent increases the following

years. But under the heading of "Participation," the Peronist plan states, "Centralized action by state agencies should be complemented by the participation of the people through the natural channels such as the unions in the planning and development of housing."

The Radical Party platform's section on housing lists three lines of action. After new construction and credit for the improvement of existing housing, the "special objectives" are:

- Solve the problem of the 'emergency villas' and other slum settlements through programs formulated by the provinces and the municipalities, with the participation of intermediaries in coordination with social work programs.
- In cases of land invasions that have been consolidated and where the installation of water and sewer systems is practical, all efforts will be made to legalize the property rights and to complete the infrastructure....

- When the physical characteristics of the settlement require it, relocation of the inhabitants will be encouraged through access to housing projects or through programs of self-help housing and other solutions.

The elections gave the Radical party the presidency by an unexpected majority, and they also won most of the seats in the lower legislative chamber. For the Secretariado, this means that some of the guidelines they developed have a chance of being put into effect. Nevertheless, political implementation may be another matter and will certainly present a formidable challenge to Argentina's reborn democracy.

As CEUR director Oscar Yujnovsky cautioned, self-help housing programs "are not a panacea. But before, there was no possibility of discussion or participation in government housing programs. Now both parties view favorably the participation of neighborhood organizations and cooperatives in housing."





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During the past 30 years—in one generation—Colombia has been transformed from a rural into an urban society. In

1951 the urban population was 35 percent; by 1980, 66 percent of an estimated 26 million Colombians lived in cities. By the year 2000 there will be some 36 million Colombians, 75 percent of whom will live in cities of at least 10,000 residents.

Already there is an urban housing deficit of some 800,000 units. Infrastructure services such as water, waste disposal, electricity, and roads are partial at best, and expansion of existing networks cannot keep pace with rapid population growth. The level of demand has outstripped the ability of Colombia's traditional private and public housing institutions (the "formal" housing sector) to construct new dwellings. Contributing to that shortfall is an immense inflation in housing costs (the price of cement alone rose 70 percent in 1981), which have far surpassed increases in wages. As many as 70 percent of Colombia's families are caught in this crunch; the housing produced by the formal market is well be-

yond their means. The relatively better-off are outbidding the least well-off for even modest housing, and developers and financial institutions are charging high credit rates and imposing stringent repayment terms to minimize their risks and maximize profits. In the process, a majority of potential homebuyers are being excluded from the market.

Most Colombians, of course, are not sleeping in the streets. The people who have been shut out of the "formal housing market" are finding ways to solve their housing problem in an "informal market" of their own creation. Until recently, there have been two main approaches to the problem. First, as in many other areas of Latin America, there have been numerous "land invasions," with groups of low-income families occupying undeveloped plots of public or private land and erecting makeshift shelters. (Ironically, much of that land in Colombia was purchased by municipalities and held in reserve as sites for low-income housing, which has yet to be built.) Sec-

ond, families have bought property in "pirate developments." In this case, a developer usually has legal rights to a tract of land but has not received permission to subdivide it and sell lots. Families who buy lots in "pirate developments" cannot establish legal ownership until the subdivision is officially incorporated into the municipal boundaries.

Legal ownership is a prerequisite for borrowing money to finance housing and infrastructure construction and for obtaining other government services. Without legal title and financial resources, land invaders and purchasers in pirate settlements are forced to stretch out the development process, and it may take up to 20 years before sewers are built, roads are paved, and houses are upgraded.

Ironically, laws that were designed to protect homebuyers by requiring private developers to build adequate infrastructure have made it difficult for purchasers in pirate settlements to get titles and have aggravated the housing shortage. The minimum requirements imposed by municipalities for legally sanctioned development may preclude the construction of housing by the formal sector that low-

Self-help housing in Colombia:



income homebuyers can afford. Some municipalities, however, have adjusted their requirements, only to find that lower technical standards do not automatically translate into lower housing costs. Consumer demand for new housing is so great that contractors do not always have to pass on construction savings to sell houses.

Invasions and pirate developments, then, are the chief strategies that people have employed to obtain land for housing. The processes that follow land acquisition—that is, house construction, access to infrastructure, community development, and legalization of tenancy—take far longer in the informal than in the formal sector. But those processes do occur. Over time, individual housing units and the community undergo significant changes. Houses of second-hand, flimsy materials are replaced by structures of block and brick. Water and electricity that were once communal are brought to individual homes. Streets are paved, trees are planted, and garbage collection and bus service reach the area. And although it may take 20 to 25 years, some families do obtain title to their houses. One recent

study indicates that as much as one-third of Bogotá's neighborhoods, with some 45 percent of the city's families, began as pirate subdivisions, affecting some 45 percent of the city's families.

During the past five years, Colombians have been developing a third strategy, which tries to rationalize the informal market and shorten the time it takes for families to acquire adequate shelter. A self-help housing movement has emerged that consists of private, nonprofit organizations of low-income families whose specific objective is to obtain decent, affordable homes. This movement, which combines elements of both the formal and the informal housing sectors, traces its roots to the community-action organizations of the early 1960's. But housing is the chief priority of these groups, while in the community-action organizations, shelter was only one of many concerns.

The self-help or mutual-help construction of housing requires a substantial commitment of time and energy, and a more flexible, single-purpose agency to carry out its goals. Community action organizations were often bound by legal requirements which defined a limited geo-

A case study from Cartago

MARGERY SOROCK



graphic radius of action. So it was impossible for people living in one area of a city to be constructing a house in a different area of the city that was covered by another organization. Incorporation of the housing group as a separate association with a broadly defined geographic base was a more functional response to the organizational need.

Self-help housing organizations need technical assistance. Though each usually has some members with experience in construction, all members must acquire additional knowledge and skills to build their own homes. In the 1970's the institutions to supply that assistance began to emerge. SENA, the national institute for vocational training in Colombia, began to offer courses in self-help construction. Self-help groups have also sought local assistance, with some success. Municipal planning authorities and public utilities aid groups in designing site and infrastructure plans. University students and faculty members help with architectural design and with budgets. In addition, low-cost, prefabricated-housing systems are marketed by several nonprofit organizations. These technologies have been used and adapted by groups building their own homes.

The most important source of financing for self-help housing groups is their members. Savings plans are complemented by fund-raising efforts that proceed throughout construction. Contributions of land, equipment, and money are also sought from the government, the Church, and private businesses. Finally, the groups invest their time and labor to accomplish most of the construction tasks.

One of the chief characteristics of the self-help housing movement has been its diversity. The groups have evolved in a variety of ways. Sometimes a natural disaster—such as a fire, flood, or earthquake—strikes an urban area, and the pressures on already deficient shelter and services spur existing institutions into action and generate new ones.

The creation of the *Corporación Diocesana Pro-Comunidad Cristiana* in Cartago (Valle), Colombia, during the early 1970's is such an example. Although the Cartago Diocese previously had recognized housing as a critical need, the *Corporación* actually began as an effort to give emergency assistance to flood victims when their homes were wiped out. The affected families were among Cartago's poorest; they lived on the edge of Cartago's La Vieja River, extracting sand and stone to sell to construction materials factories. The diocese helped relocate the families, but quickly recognized that a more permanent solution was needed.

Housing in Cartago

The housing problem in Cartago is significant. According to a 1982 inventory undertaken by Instituto de Crédito Territorial (the Colombian Housing Institute) 69,203 of Cartago's 81,435 residents—some 85 percent of the population—live in substandard housing. In addition, 10,599—or 88 percent—of Cartago's dwellings were classified "substandard" because the units did not conform to accepted building codes; because their neighborhoods did not meet municipal standards for financing, site planning and the provision of services; or because the tenancy of the property was "irregular."

Neither national and local housing institutions nor the private sector has been able to rectify this situation. Their combined efforts in Cartago have produced only 750 units during the past five years. That rate of production lags behind the need to replace or upgrade present dwellings. It does not begin to cover new demands: even the most conservative estimates project that at least 300 new families are formed in Cartago each year, and presumably most will require their own living space.

The slow pace of construction is not the only problem. Production costs thus far

have made the units that have been built too expensive for more than half of the population—those with the greatest need and the least financial resources and access to credit.

To be sure, most people in Cartago find some sort of shelter. They improvise: building ramshackle, overcrowded structures with little or no access to water, sewage disposal, electricity, and transportation. In the past, municipal officials tried to forcibly eradicate these structures; subsequently they have ignored them. Recently municipal planning and public utilities officials have indicated a willingness to cooperate with the residents of these settlements by providing technical assistance so that residents can gradually upgrade their homes and communities. This is all that can be expected of agencies with limited personnel and budgets.

Cartago has, however, some advantages which mitigate the housing shortage. Its climate is warm. The earth is rich in lime and clay; the rivers contain stone and sand for making cement, brick, and floor and roof tiling; and, as has been noted, the production of construction materials is a major factor in the local economy.

Yet, as the statistics for substandard housing indicate, Cartago's problems are severe. One institution that is seriously confronting those problems is the *Corporación Diocesana Pro-Comunidad Cristiana*. Given the size of Cartago's deficit, housing production, in and of itself, is vital. However, as we shall see below, the *Corporación's* activities also have produced other benefits for low-income people.

The early stages

The parish of San José Obrero includes a large section of Cartago's substandard housing. Ten years ago a young priest from Antioquia was assigned to the parish. The priest had relatives in Cartago,

Land invasion, Barrio Betancur, Cali.



Mitchell Demburg

and he soon moved into an apartment in the parish with a cousin, a recent graduate in architecture. Both young men were anxious to improve the conditions of the parishioners, and when the diocese mounted a housing initiative, the priest was the logical choice to head the effort.

The presence of the priest and his architect cousin was vital to that effort. The two professionals already lived in the community. Using their knowledge of local problems and traditions, they proposed solutions adapted to the needs, payment capacities, and preferences of the residents of Cartago's low-income neighborhoods.

Both the moral support and the limited economic assistance of the diocese were crucial to founding the Corporación. Yet from the very beginning, the diocese wanted the organization to be independent so as not to confuse the broad goals of the Church with the Corporación's aims in housing and community development. The diocese donated a three-and-one-half hectare site (35,000 square meters) adjacent to the San José Obrero parish church to the newly formed Corporación in 1973, thus launching the low-cost housing effort.

From the outset the Corporación drew up an overall blueprint, focusing on housing, employment, and education as primary concerns. As communities are built, they develop a partnership with the Cor-

poración. Full-time, permanent staff work with resident groups and prospective residents on refining construction and design techniques, meeting financial obligations, drawing up budgets, raising funds, and planning and implementing community services and facilities.

The first site developed by the Corporación is known as Las Colinas, and eventually it will contain some 180 families. After almost half of Las Colinas was developed and other sites in Cartago and surrounding areas were purchased or donated, the Corporación sought assistance from the Inter-American Foundation. A two-year grant of US\$65,100 was approved in September 1979 to cover the salaries of social workers, the materials and labor costs for 98 housing units, the expansion of community enterprises, and the downpayment on a truck. To date, the foundation's grant has financed some 35 percent of the Corporación's total activity.

The Corporación has provided integrated services to its communities, using the housing effort as a launching pad for tackling other community problems. Some 250 families—close to 1,500 people—have benefited. In my visits with the residents, they emphasized how their living conditions had improved because of their participation in the Corporación's activities. A closer look at the different aspects of the Corporación's activity follows.

Mutual help among neighbors

The fundamental requirement of all Corporación projects is that the beneficiaries agree to help construct housing units and develop common facilities within each site. The houses themselves are only a first stage in site development; streets, walkways, grading, drainage, trees, and parks are planned from the beginning. Space is set aside for facilities such as chapels, community centers, schools, and soccer fields if land is available and the residents so desire.

To ensure that families with the greatest need and willingness to work together are helped, the Corporación has developed a simple, one-page application form for screening prospective beneficiaries. It asks for the names, addresses, ages, employment, and education of all family members. It also asks for family earnings, a description of current housing, monthly housing costs, general health data, and references. After the form is submitted, the Corporación's social worker visits each applicant. Based upon that interview and the information in the form, families are selected to participate in the program. The chief selection criteria are:

- family income,
- family stability (with preference given to parents with young children),
- willingness to participate in the Corporación's work system, and
- qualities which facilitate good neighborly relationships.

The average family served by the Corporación has two young adults and four children. Couples in their early twenties predominate. The majority of the families earn the minimum wage. Among the men, the chief occupations are agricultural laborer, watchman, construction worker, street vendor, and porter. Many women earn income as domestics or as seamstresses. Between 20 and 30 percent of family earnings are devoted to housing and utilities, so that often the family will pay less per month to buy a Corporación



House interior in Barrio Bella Vista, a land invasion near Cartago.

house than they previously paid for rent.

One reason for that savings is that the beneficiaries build their own houses, thereby reducing labor costs, which fluctuate between 20 and 30 percent of a unit's price. The Corporación explains this requirement to applicants when they inquire about housing. Before work actually begins at the site, the selected beneficiaries meet and develop rules and regulations governing their participation in construction and the sanctions for failure to comply. Six hours of work per week have been the rule, usually divided evenly between Saturdays and Sundays. In addition, a meeting is held one night a week to plan the weekend's work. Participants work on all the houses. Once the entire construction process is completed, dwellings are usually assigned by lottery.

In the early stages of development at the Las Colinas site the Corporación experimented with different combinations of skilled and unskilled labor. After trial and error, the Corporación decided to hire skilled labor to do foundations and roofing. Earth-moving, walls, and the installation of water and sewer pipe were left to the beneficiaries.

Income generation potential and community savings

Since the raw materials for construction supplies are easily located in Cartago, the Corporación produces its own brick and roof-tiling. It also manufactures certain wood and metal products such as window frames and doors for low-cost, prefabricated housing. These products are sold—at cost—to community homeowners. The Corporación purchased the elements to manufacture the meter-square concrete panels used in assembling its prefabricated houses. The process was developed by Servivienda—a private, nonprofit institution that currently builds the lowest-cost housing unit in Colombia—and several Corporación staff members were trained in the manufacture and assembly of the Servivienda house.

The Corporación's truck saves beneficiaries considerable sums by transporting materials from the factory to the construction site. In most instances a temporary structure is erected at the site, and one of the beneficiary families occupies it immediately, serving as a caretaker/watchman. Construction materials are valuable and must be watched to prevent theft.

In addition to reducing construction costs, these production activities generate income for the community members who are hired to do the work. The Corporación provides the materials and pays a stipulated sum for finished products. Workers are permitted to use the facilities for private benefit so long as this does not interfere with overall production requirements. All of the workshops are fully utilized, with the exception of the factory making the Servivienda components.

These small enterprises also offer a possible source of new income for the Corporación. Outside homebuilders have expressed interest in buying prefabricated panels. Although this market has yet to be tapped, it could absorb excess capacity and generate new revenues if the Corporación can devise a credit system to help buyers finance their purchases.

A final, if limited, economic benefit to many community members opens as a result of their new houses. Although the Corporación does not permit units to be used for operating businesses and specifically forbids subletting part or all of a unit, small home workshops are allowed. As a result, residents can earn money from such activities as small appliance repairs and dressmaking, which were impossible when the family's former dwelling lacked adequate electricity and/or space.

Who pays and how much?

In commercially financed housing projects, as well as in those sponsored by Colombian government agencies, the buyer must make a downpayment—up to 30 percent of the purchase price—to cover fully the unit's construction cost. Downpayments for the Corporación's housing projects reflect lower labor costs and generally do not exceed 15 percent of the total purchase price. Participants must deposit this amount as soon as they are selected. Beneficiaries have either saved the money, borrowed from relatives, or—if they have steady employment with



Weekend work crew laying house foundations in Barrio San Pablo, Cartago.

fringe benefits—borrowed against their retirement pay.*

The beneficiaries receive an amortization schedule showing what their monthly obligation will be during the life of the mortgage. Initially the repayment period was seven years, but the Corporación now favors a shorter time frame of four-and-a-half years. As is common in Colombia, calculated monthly rates vary over the life of the mortgage. They are lowest in the initial year of loan amortization and increase progressively over time.

The Corporación has received donations of cash, land, professional services, and equipment. The institution's policy has been to share its savings with its clients, realizing a small "profit" to pay administrative expenses. Consequently, it produces the lowest-cost dwelling with all urban services that can be found in Cartago. The Corporación's single-family housing units have three bedrooms, a living room/dining room, a kitchen, a bath, and a patio; they average approximately

45 square meters. They are solidly constructed of brick or concrete panels. The most expensive house sold to date costs some 200,000 pesos—under US\$3,000. Similar houses constructed at the same time in a less accessible area by the public housing agency cost 442,000 pesos.

The Corporación has grown steadily over the 10 years of its existence. Four sites have been developed within the Cartago city limits. Both El Gradual and La Trinidad are complete, with 63 and 71 units respectively. Las Colinas has built 116 units of the 180 that are planned; and Los Sauces has 31 units under construction and 219 planned. Two sites, Zaragoza and San Pablo, have been acquired outside the city limits, and six homes have been constructed and occupied in San Pablo.

It may seem deceptive to compare these low prices and the rate of construction with the track record of house builders in the formal market. The Corporación relies heavily upon donations to subsidize its activity. Yet, a closer look suggests this is neither unusual nor surprising. To some extent the low-cost housing agencies in Colombia, whether public or private, receive "cheap money" through below-market interest rates. The Corporación's savings are passed along to homebuyers chiefly through land prices, since commercial value is not charged for the lots.

The Corporación did not pay commercial prices either, so it is not necessarily losing money by setting a below-market value. Moreover, donations, however indirect, are not the whole story. Repayments of mortgages and sale of construction materials to the public also create capital that the Corporación can put to work in new housing development.

Within the past six months the Corporación has created a social welfare fund for homeowners. There is a membership fee of 50 pesos and a monthly payment of 50 pesos. Should the person responsible for amortizing the mortgage die, the survivors will receive a lump sum of 20,000 pesos for burial expenses, and the remaining monthly payments on the house will be covered automatically. If the fund proves successful, it will be expanded to include disability. Wise investment of these funds can provide additional capital for the Corporación's housing effort.

The battle for services

Much of the water and electricity in Cartago reaches the consumer as contraband—either by direct but illegal hook-ups to existing lines or through arrangements with neighbors who have acquired the services and are willing to rent or share them. Until their infrastructure systems are complete, the Corporación's communities are no exception.

The municipal public utilities in Cartago have neither the funds nor the staff to build infrastructure in new communities. They do assist the Corporación and other institutions by drawing up plans and budgets for the water, sewer, and electricity systems and by supervising the community workers on the site. Eventually the systems are incorporated into the public utilities network. Both water and electricity, once incorporated, are metered; and the consumer must pay an installation fee and monthly consumption charges. The water and sewer networks are installed below ground while the houses are being constructed; electricity

*Retirement pay is accumulated each year by an employee who is on a regular payroll. It is to be turned over to the employee upon resignation or retirement. The only purpose for which these funds can be paid to the employee while he or she continues to work for the same employer is for home purchase or improvement.



Las Sauces, Cartago. Migrant finca workers building communal wall on Corporación Diocesana housing project.

usually is installed above ground after the units are occupied. In some cases the Corporación ends up subsidizing the installation of electricity. Installation is included in the price of the house, and since there is generally a considerable time lapse between the estimated cost and the actual hookup (when costs are re-adjusted), the difference, or inflation factor, is assumed by the Corporación.

Innovation and change

For the families that live in the Corporación's communities, the change in living conditions has been dramatic and positive. Since their design allows for progressive development, houses have been expanded and improved by simply adding to the basic unit.

All of the sites have undergone substantial transformation through the combined effort of the community and the Corporación. Each community has a homeowner's association and all members are required to participate at least once a month in community projects. High priority has been given to tree-planting and landscaping, and the physical appearance of the communities confirms the residents' efforts.

Since the Corporación is not a profit-making entity, it has been able to offer fi-

nancing at rates far more favorable than those of other institutions. Its mortgage term is considerably shorter than the 15 years offered by other institutions, but when savings from producing and transporting construction materials are combined with the donations it receives, monthly payments can be fixed within the means of low-income families.

Some drawbacks and limitations

Despite its successes, the Corporación is not without problems. The availability of resources depends heavily on contributions from outside donors. Earlier, that reliance contributed to failures to fully anticipate costs. For example, a property tax is assessed and payable annually, but in practice, taxes generally are not paid until title to the property is transferred. Church properties are not exempt, and back taxes have accumulated on land donated to the Corporación by the diocese. Now that the first home builders have paid their mortgages, they are expecting deeds to their property, and the Corporación will have to find a way to pay those costs. Similarly, the assumption of certain infrastructure costs (particularly in the case of electricity hookups) has drained already scarce funds.

The Corporación also has another problem. Only 27 percent of the beneficiaries

are up-to-date in their mortgage payments. Although that rate is on a par with the clients of the public housing agency in Cartago, it is also misleading. The careful screening of homebuyers and the mutual help in constructing houses have produced a general feeling of community responsibility. Payments may be late, but they are made. In theory, a 3 percent fee is charged for delinquent payments, but it is sometimes waived or ignored. No legal action has been instituted against people in arrears: less than a dozen instances of units changing hands have occurred, none because of nonpayment.

These drawbacks, which slowly decapitalize the Corporación, are outgrowths of past achievements. Demand for the Corporación's services has steadily increased. The group's future expansion will depend on finding ways to support itself, whether through mortgage payments, sale of construction elements, investment of the social welfare fund, or receipt of additional outside funding. The Corporación is aware of these obstacles and opportunities and is searching for ways to generate income without losing sight of its community development goals.

The Corporación, although part of a wider spread self-help housing movement in Colombia, has been able to take advantage of some unique opportunities. For one thing, it begins with a site to be developed, then selects the beneficiaries who will do the development. As a result, the Corporación has considerable flexibility: it does not have to approach a site thinking of the need to serve a specific number of people as do housing associations with a given number of members, all of whom expect to construct units on a site they have purchased.

A second factor that distinguishes the Corporación from most other self-help housing groups is land. Until recently the Corporación has not had to buy any land, which has substantially lowered costs. These savings are significant, even in a small- or medium-sized city like Cartago. When the Corporación did begin to purchase land for new developments, it purchased parcels on the outskirts that were much cheaper than land in the city. How-



Mitchell Denburg

Las Colinas, Cartago. A 10 year-old self-help housing project.

ever, these sites are not only less convenient for jobs and shopping since they are farther from the city center, they also lack ready access to municipal infrastructure networks. Thus, some benefits obtained relatively easily in early projects because of free land and site location may be more difficult or more expensive to duplicate in the future.

The Corporación also has enjoyed other advantages. It is a prestigious and well-respected organization that receives strong support from the Catholic Church which shares its concern for constructing low-cost housing. (The bishop has even used personal funds to subsidize the building of houses that the Corporación manages.) That support and the prestige deriving from that support carry over to other relationships with the community of Cartago. The Corporación's fund-raising banquet annually raises at least 1,000,000 pesos. Similarly, the Corporación has been able to call upon departmental and municipal authorities for needed services and equipment.

Although most other groups lack these resources, there are recent signs that the self-help housing movement is beginning to mobilize its efforts in a more formal way. In July 1982, 160 groups from almost every department in Colombia met for the First Congress on Self-Help Housing, sponsored by the Ministry of Govern-

ment. Delegates underscored the need to share information on low-cost technologies and recommended the creation of a tripartite national commission with representatives from public agencies, the private sector, and the self-help groups. A follow-up committee of beneficiaries, technical assistance representatives, and government observers met in September to define areas of common concern: mechanisms for financing, refinements in prefabricated housing and technical assistance, strategies for community organization, and the readjustment of municipal building codes and tenancy requirements.

The "self-help housing movement," though still nascent, does not lack critics. Professionals argue that inexperienced builders use heavier, more expensive construction materials in greater quantity than needed in almost every project. They point out that most projects are relatively small and cannot employ economies of scale. Self-help projects also take twice as long to complete as projects constructed by formal housing institutions—four years instead of two. Finally, few groups are without their saga of mishaps: poor decisions based upon inexperience, disappearance of funds, and lack of knowledge about the building-approval process.

When critics argue that professionals would not have suffered many of these

setbacks, they may be right. What they fail to mention is that few professionals actually design, finance, and build low-cost housing. They also overlook the ingenuity of groups like the one in Cartago which has adapted technologies to serve its own needs. The people who have worked with the Corporación Diocesana Pro Comunidad Cristiana in Cartago to build their own housing are proud of their efforts; they live in the houses that prove their investments in time, toil, money, and devotion were worthwhile.

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Research Reports

Capsules of four recently completed research projects

Economic growth and the poor: Brazil

—Bradford Smith

The 1970's was a decade in which several Latin American countries experienced sharp increases in gross national product. But to what degree do the poor share in the gains during intense periods of economic growth?

This was the question asked in two independent studies recently completed with IAF support. As the cases of Brazil and Paraguay illustrate, the question can have two very different answers.

The "Brazilian Miracle" showed Brazil's gross domestic product growing nearly 130 percent from 1970 to 1980. A recently completed study concluded that extreme poverty decreased during this period despite an increased inequality and concentration of income. In the words of the authors: "Under conditions of vigorous economic growth, it is entirely possible for the lot of the poor to improve while the rich are getting much richer."

The study, entitled *The Decline in the Incidence of Extreme Poverty in Brazil, 1970-1980*, was conducted by Jose Pastore, Researcher of the Institute of Economic Research of the University of Sao Paulo, Brazil, and Archibald O. Haller, Professor of Rural Sociology of the University of Wisconsin. Using data from the 1970 and 1980 census records, their work presents a comparative analysis of the incidence and distribution of extreme poverty among Brazilian families. The study uses the family rather than the individual as the main unit of analysis, dividing family income by number of members. Since 93 percent of Brazil's households are families participating as economic entities in the market, this standard is advantageous and permits comparison of different-size families, including all members, not just those who are employed. The study considers a family to be living in extreme poverty when its per cap-

ita income from all members is less than one-quarter of the regional minimum wage.

Based on this criterion, the authors found a sharp drop in extreme poverty over the decade. In 1970, 7.3 million, or 44 percent of Brazil's families, were living in extreme poverty. By 1980, this number had dropped to 4.4 million, or 18 percent of all Brazilian families.

Underlying the reported reduction in poverty were significant structural changes and demographic shifts. During the decade of growth, agricultural employment fell in relation to manufacturing and services. This shift yielded increases in production and per capita income. Equally important, employment increased faster than population. By 1980, the falling birth rate caused a reduction in family size and increased the average age of family members. Coupled with a rise in education levels, this meant that the "family labor force" was better able to take advantage of the jobs that Brazil's growth was creating.

Brazil's destitute families are concentrated in the Northeast, where about one-third of the nation's population lives. Although the authors report that the absolute number of impoverished families in that region decreased over the decade, a larger percentage of Brazil's destitute was living in the Northeast in 1980 than in 1970—50 percent as opposed to 41 percent. Most families living in extreme poverty in the Northeast are large, and their predominantly male heads of household tend to have precarious jobs, mainly in agriculture and self-employment. In contrast, a smaller percentage of the country's destitute families was living in the industrial Southeast by the end of the decade. But in 32 percent of that region's destitute families, there were no employable male members.

The authors conclude that in these two populous regions of the country, destitution

is tied to the different economic structures. In the Northeast, labor-intensive agriculture provides employment that is both unstable and poorly paid. The manufacturing and capital-intensive farming of the Southeast provide limited economic opportunities for women, which severely affects the living standards of the many families with a preponderance of female members.

In a final chapter, the authors draw conclusions about the nature of Brazil's destitute families, indicating directions for future policy considerations. "First, the destitute tend to be concentrated in farming. The tendency for destitution to be concentrated in the rural areas and in the mostly rural Northeast is increasing." A large number of urban families are also involved in farming either through truck farms or as *boias frias* (day laborers) on large farms. "Second, the impoverished tend to lack the minimal skills needed for many types of nonfarm work." Due to the growing complexity of Brazil's industrial and service economy, the authors believe that investments in elementary education would pay high dividends to the nation and its poor. Finally, the study emphasizes that the probability of a family being in dire poverty is greatly increased when the fami-

ly's working-age members are predominantly women. Under these circumstances, the authors recommend that jobs be generated for illiterate women that can be performed in the home and that women's marketable skills be increased through training programs.

While noting the significance of Brazil's achievement in the 1970's to reduce extreme poverty, the authors warn that readers should not be blinded "either to the massiveness of the destitution still remaining in the nation or to the fragility of the nation's accomplishment." In 1980, more than a fifth of Brazil's population, or some 25 million people, were living in absolute poverty. And one step removed—hanging precariously near the line—was a much larger group.

Since 1980 a debilitating recession, spiraling inflation, continued drought in the Northeast, and floods in the South have combined to reverse the positive growth of the 1970's while severely limiting the resources available to finance the nationwide policies suggested by the authors. Brazil's miraculous growth decade has given way to a new decade that is putting the fragility of the nation's prior achievements to the severest of tests.

The Decline in the Incidence of Extreme Poverty in Brazil, 1970-1980, by the University of Wisconsin Department of Rural Sociology in cooperation with the Foundation Institute of Economic Research (FIPE), University of Sao Paulo, November 1982; English and Portuguese versions.

The study was published in 1983 by FIPE: Jose Pastore, Helio Zylberstajn, and Carmen S. Pagotto, *Mudança Social e Pobreza no Brasil 1970-1980 (O Que Ocorreu com a Família Brasileira?)*

Economic growth and the poor: Paraguay

—Philip Musgrove

The poor can gain in absolute terms while still losing ground relative to the middle and upper classes. As Pastore and Haller report, this seems to have been the experience of Brazil from 1970 to 1980: poverty was reduced at the same time that the distribution of income became more unequal. Similar results hold for Caracas, Venezuela, from 1966 to 1975. In both cases, part of the improvement was demographic: poor families became smaller on the average, so that per capita income rose among the poor, even if income per family or per person employed changed very little.

Anibal Miranda's *Desarrollo y Pobreza en Paraguay* addresses the issue of what happened to the poor in Paraguay. Its principal thesis is that while income grew dramatically in that country during construction of the Itaipú Dam, the country's poor population may have become poorer in both relative and absolute terms.

Miranda's book is a sometimes frustrating mixture of evidence and speculation. One reason is that reliable data do not exist for a comparison over time. Miranda surveyed slightly over 3,000 families in order to es-

tablish the current extent and severity of poverty, but there is no previous, country-wide survey with comparable data from which to trace changes. The evidence of deterioration for the poor is therefore fragmentary and indirect.

In addition, efforts in Paraguay to analyze poverty and income distribution are new. Prior to the last five years, the subject was discussed only in broad, theoretical terms. In the last few years, Paraguay gives the impression of a country which is struggling to think about its condition and its future; but a considerable part of Miranda's study would be superfluous or out-of-date in a country like Brazil, where the cataloging of poverty has been going on for years.

The evidence Miranda assembles supports the following propositions:

- Paraguay's poor used to migrate in large numbers, chiefly to Argentina, but since the mid-1970's that escape valve has been closed. Thus the need to generate employment at home has suddenly become much greater, and the failure to do so has increased poverty.

Aníbal Miranda, *Desarrollo y Pobreza en Paraguay, Comité de Iglesias para Ayudas de Emergencia, Asunción, Paraguay, 1982.*

- The agrarian reform of the 1970's could have reduced rural poverty by giving *minifundistas* enough land to work. At the same time, the growth of the non-agricultural economy would have raised demand for food and could have increased farm incomes. However, official survey data, along with the author's, show that relatively few farmers received land titles through the reform, and that multiple titles went to a small number of recipients. Some peasants were forcibly evicted from their farms and had to become laborers.
- The large volume of contraband trade appears to have benefited commercial producers, who could make the necessary arrangements to transport their production out of the country; but it probably worked to the detriment of small farmers, who had to compete in the market with illegally imported foodstuffs.
- The distribution of income became more unequal because ownership of land and other productive resources was highly concentrated, and Paraguay's growth came largely from the hy-

droelectric project, which led to the further concentration of wealth.

- Finally, peasants and workers are largely unorganized in Paraguay and have not been able effectively to press their claims for improved distribution of resources. One may doubt that the existence of labor unions or peasant organizations could change wages or relative incomes very much, but the opportunity has simply not been available. The poor also pay an onerous but informal tax in the form of ubiquitous corruption.

Miranda observes that the increase in income in the last decade is enough—were it more widely distributed—to eliminate the worst poverty in Paraguay. The problem for Paraguay, as elsewhere, is how to reach an equitable distribution of income and property. That question can only become more pressing now that the major construction boom is over and the rest of Latin America is in economic recession. It has probably become harder to attack poverty today in Paraguay than it would have been in the 1970's when income, overall, was growing.

Crafts and Creole in the Eastern Caribbean

—Robert Maguire



The Inter-American Foundation conducts about 30 project evaluations each year. Here is an example of an unusual project evaluation that took to the air waves and yielded an extra dividend for a small artisan training grant on the island of Dominica.

In 1980, three members of a Haitian community development organization, Institut de Consultation, Evaluation et Formation de Personnel (ICEF), made an IAF-funded visit to Dominica to meet with a local organization, Management Consultants Limited (MCL). The Haitian visitors immediately noticed that the mountains of Dominica—in contrast to the deforestation in Haiti—were covered with vegetation. Prominent on the hillsides and in the valleys were the banana plants on which the island's export economy is based.

With the profusion of bananas, why, the Haitians wondered, was there no craft industry based on banana fiber? In Haiti, waste materials from banana plants provide employment to many artisans. The Dominicans explained that most of the few handicrafts on the island are produced by Carib Indians, who do not use banana fiber as raw material for crafts.

The Dominicans wondered whether Haitian craftsmen might come to Dominica to teach Carib artisans how to make baskets and other marketable items from the abundant banana plant wastes. Although the official language of the island is English and that of Haiti is French, most citizens of the two countries speak Creole, or "patois." Hence, there would be no insurmountable language barrier for the two groups of artisans to overcome.

Upon their return to Haiti, the ICEF members contacted the Comité Haitien Artisanal (CAH), a non-profit crafts marketing organization. The Comité, in turn, asked two master artisans of banana fiber, Mr. and Mrs. Joe Corneille, if they would be willing to go to Dominica. At the same time MCL staff met with Carib crafts producers on the isolated east coast of Dominica and ascertained that they would welcome the possibility of learning new crafts from the Haitians. As a result, the Corneilles spent six months in Dominica, beginning in late July 1982.

IAF and the proponents of the artisan training project had considered an accompanying evaluation from the earliest stages of planning. In addition to supplying infor-

mation about the outcome of the crafts training, the evaluation was viewed as an opportunity to reinforce and legitimize the use of Creole, which had long been viewed as the language of the poor, the illiterate, and the unsophisticated. However, with Dominica's move toward independence in the early 1970's, patois had become both a symbol of national identity and a unifying force among the islanders. Long reluctant to acknowledge or speak the language, most Dominicans, by the 1980's, embraced Creole with pride: they now enjoyed listening to it over the radio and speaking it in public.

The evaluation consisted of two parts. The first part was a written document that recorded the accomplishments and limitations of the training project: that the Haitians successfully taught their skills to a core of about 16 Dominican craftspeople; that most of the products were sold directly to visiting Dominicans and foreign tourists; that refinement of skills was needed; that MCL and trainees were considering ways to expand production and marketing.

The second part of the evaluation consisted of recorded interviews to be broadcast on Dominican radio by Felix Henderson, a producer and announcer on the island's national (and only) radio station. For years his afternoon program, *Experience Creole*, had presented music, news, and interviews with Dominicans of all walks of life, exclusively in Creole.

With his cassette recorder and notepad, the radio journalist interviewed the Corneilles before they returned to Haiti. He also interviewed most of the east coast villagers with whom they had worked, and in Roseau, the capital, the Minister of Agriculture and others who attended the exhibit of crafts produced during the training sessions. Portions of these interviews were then broadcast in a series of programs over *Experience Creole*, and formed the basis for

Henderson's written report.

The interviews showed that Dominican participants felt "no problems at all" communicating in Creole with their Haitian instructors. "We understood them quite all right, and they understood us likewise." Radio listeners also heard the Corneilles conclude, "We were very heartened to see the interest of the people who participated. We are very satisfied that we accomplished a great deal and we're just hoping that they will continue from there."

Dominicans learned that in Haiti men like Joe Corneille are dominant in craft production, but that among Caribs in Dominica, handicraft is viewed as women's work. This was cited as a reason that fewer people than hoped for attended the Corneilles' sessions. But, as one woman explained, the men are "watching" and will produce "if they know there's a regular market."

Listeners heard the Carib chief emphasize such basic lessons as "the first thing we need is a market to sell the products, because it doesn't make sense to produce what you can't sell."

MCL was encouraged by the sales and enthusiasm generated by its first exhibition and will work with the participants to help form producer groups. In probable collaboration with the CAH and a retail outlet in Barbados, MCL will try to secure markets.

Henderson's interest is in the use of Creole as a tool for development. His participation in the evaluation has helped him to go forward with his promotion of Creole over the radio. Subsequently, he visited Louisiana and Haiti and prepared radio programs on Afro-Creoles in those places, and he is now exploring a follow-up program on the craft project. He believes that the evaluation has not only provided Dominicans with a greater awareness of development programs and problems, but with a deeper appreciation of the value of their language.

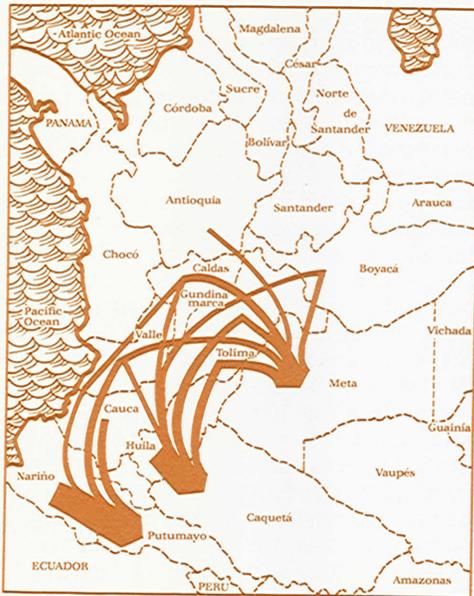
Colonization and rural development in Caquetá, Colombia

—Robin Marsh

Robin Marsh studied how government colonization and rural development efforts affect the productivity, income, and general welfare of low-income colonos (settlers) in Caquetá, Colombia. She also examined the role of the World Bank in the Caquetá Land Settlement Project. She received an IAF fellowship in 1978 to conduct this field research for her masters thesis in Latin American Studies at the University of California, Los Angeles.

While working with the Evaluation Unit

of the Colombian Institute of Agrarian Reform (INCORA), Ms. Marsh collected data from in-depth interviews with credit recipients and with a control group of nonrecipients. The results of her research were recently published in a book, Development Strategies in Rural Colombia: The Case of Caquetá (UCLA Latin American Center Publications, 1983). Ms. Marsh is enrolled in the Ph.D. program at the Food Research Institute, Stanford University, where she is specializing in development economics.



From 1940 to 1980, Colombia's rural population declined from 71 percent to a third of the total population. Rural-to-urban migration has been spurred by land scarcity, poverty, and violence in the densely populated rural highlands. These problems reflect a pattern of land tenure that is skewed in favor of *latifundia* and large commercial farms and ranches. In the 1960's, the government created INCORA and initiated land reform to distribute parcels of land to campesinos. However, the program was strongly opposed by the traditional powerholders, government support wavered, and little land was distributed.

Recent Colombian agrarian policy has shifted from land redistribution toward colonization of the vast lowland frontier and investment in integrated rural development. Government and World Bank efforts to promote land settlement and rural development in Caquetá have demonstrated that spontaneous *colonos* of highland origin can settle permanently in the semitropical lowlands. Yet, the colonization process involves high economic, social, and ecological costs and incorporates only a small fraction of the rural poor who need land.

Caquetá, the colonization area which I studied, is a recently incorporated state located between the Colombia Eastern Andean Range and the rain forest of the Amazonas. Its 1978 population was approximately 240,000, 64 percent rural, with a density of just 2.4 persons per square kilometer. Since the 1930's, Caquetá has experienced a steady, spontaneous influx of colonos, most of them refugees from economic hardship and political violence. Of the families interviewed for this study, 16 percent were born in Caquetá and 84 percent had migrated from seven different states. They generally shared the hope of escaping poverty by establishing a family farm. To do so is a long-term endeavor that begins by staking out a plot of unclaimed virgin land, and then investing several years in slash-and-burn subsistence agriculture, hoping to make a transition to small-scale ranching. Colonists must face tropical disease, price instability, droughts, and floods. They lack credit, technical assistance, and access roads. Nevertheless, positive signs of economic and social mobility are evident in Caquetá, particularly among the early

settlers and credit recipients.

From 1963 through 1978 the INCORA-administered rural development programs in Caquetá granted 17,500 land titles, distributed over 9,000 loans, sponsored some 1,000 mini-courses, built 409 kilometers of roads, and constructed 68 schools and nine health facilities. The cost was approximately US\$50 million. Among these programs, the World Bank/INCORA Land Settlement Project has been the largest effort to assist spontaneous colonos in becoming permanent rural settlers. The project distributed 4,100 loans, covering nearly 20 percent of the total number of rural families. Credit was offered to settlers with at least 10 hectares in pasture but no more than 25 head of cattle. Each recipient received 15 cows, one bull, cash for farm installation, and technical assistance. INCORA credit was not available to a large number of the poorest applicants because of eligibility restrictions and inadequate funding. Wider project coverage was further jeopardized by the lack of institutional coordination, cost overruns, and constant delays in funding disbursements.

The data from 85 in-depth interviews reveal that INCORA-World Bank credit recipients increased their farm assets, annual sales, and gross earnings substantially since receiving their initial loans. They have done so at a faster rate than nonborrowers from similar socioeconomic backgrounds. The majority of credit recipients, however, continue to earn very low net annual incomes—US\$116 per capita after interest payments. Their income is still insufficient to cover the basic needs of food, clothing, and health care.

In the long run, those rural families with initially larger herds and incomes and those colonos with lower payment quotas and interest rates (pre-1976) are expected to benefit most from their participation in the INCORA credit program. The less advantaged families, particularly post-1976 recipients, will not fare nearly so well. The study concludes the INCORA-World Bank credit program will succeed in promoting economic and social mobility among its middle-level borrowers. Colonos in greater need, however, will find the credit program inadequate and too costly to lift them out of their poverty.

Robin Marsh, *Development Strategies in Rural Colombia: The Case of Caquetá*, UCLA Latin American Center, University of California, Los Angeles, CA, 1983.

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