



**FUNEDESIN CASE STUDY
THE AMAZON CACAO DEVELOPMENT ALLIANCE:
Partnering for Sustainable Agriculture and Rainforest Conservation
Prepared for: The Partnering Initiative
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Rationale

This case study has been compiled as one of a series of case studies on 'Exploring and Developing Case Studies as Tools for Change' commissioned for the Case Study Project supported by The Partnering Initiative, Alcan Prize for Sustainability and SEED. The Foundation for Integrated Education and Development (FUNEDSIN) entered the Alcan Prize for Sustainability in 2004 and was selected as a bursary winner. At this point, the Case Study Project commissioned the compilation of the case study on FUNEDSIN. FUNEDSIN is seen as providing an interesting learning case of a partnership operating in the Amazonian region of Ecuador. After consulting with key staff and partners the researcher decided to focus the case study to one of FUNEDSIN's partnerships, that of the Amazon Cacao Development Alliance.

The Context for the Partnership

For a country like Ecuador, where the destruction of natural ecosystems is threatening its impressive biodiversity, FUNEDESIN's goals for working in the area are essential. As FUNEDESIN staff explain: "The Ecuadorian Amazon is on the verge of an environmental catastrophe. At 1.2 percent annually, Ecuador's deforestation rate is three times higher than in any other South American country and six times higher than the global average. The combined effect of unrestrained logging, widespread oil exploitation, unsustainable agriculture and a burgeoning population, is destroying 137,000 hectares (342,500 acres) of Ecuador's rainforest and exterminating hundreds of species every year."

Background to the Partnership

In 2000 FUNEDESIN, foresaw the development possibilities presented by cacao and chose this agricultural product as one of its focus areas for development intervention, addressing income generation and conservation challenges in the Amazonian Region of Ecuador. In the same year, FUNEDESIN started Yachana Gourmet, an ecologically conscious company designed to purchase local cacao, add value to the product in the jungle and open international markets for the value-added chocolate products. But it was not until 2003, that the Amazon Cacao Development Alliance, ACDA, was formally created to bring together diverse partners to combat rising poverty and instability in the Northern Ecuadorian Amazon Provinces. (FUNEDESIN, 2005)

FUNEDESIN believes that rainforest conservation and poverty reduction goals in the Amazon region of Ecuador can be combined to become reciprocally supporting goals. They have been promoting agricultural development in the area focused on the partnership approach, which is based on breaking through conventional sectoral and cultural boundaries. Essential to this objective was the need for stronger collaboration on complementary goals amongst small-scale farmers, civil society organisations, the private and public sector, working together with international development agencies, as a way of providing local solutions to income generation and conservation challenges.

Therefore, in an effort to grant economic, environmental and social sustainability to its cacao income generation program, FUNEDESIN and Yachana Gourmet formed an Alliance of aid agencies, non-governmental organisations, a private enterprise, and community-based cooperatives known as the Amazon Cacao Development Alliance. The Alliance has provided a viable agricultural and economic alternative to coffee and coca production in the region. The partnership brought together organisations to invest \$ 3.5 million, distributed amongst the four mentioned components of the programme (McMeekin, 2005).

This case study looks at the factors that led to the Amazon Cacao Development Alliance (ACDA). The partnership is explored to provide a deep and illustrative assessment on how conservation and development issues can be dealt with through cross sector partnership work. FUNEDESIN was the initiator of the partnership for this cacao development project. The Foundation played a decisive brokering role in the area, acting as the intermediary between the various partners and stakeholders.

Partners

There were originally six founding partners of the Amazon Cacao Development Alliance:

- The Foundation for Integrated Education and Development, FUNEDESIN, a key development organisation working in the Amazon region of Ecuador.
 - Three different farmer organisations working in the Amazon provinces of Napo, Orellana, and Sucumbíos, representing over 2.500 families. .
 - Yachana Gourmet, a socially responsible company developing innovative fair-trade chocolate products from the Amazon. FUNEDESIN created this for-profit company, which has generated income to partially finance the social outcome of the partnerships in which the foundation is involved.
 - Yachana Lodge, a for-profit firm which, as part of FUNEDESIN's activities, has grown significantly over the past 10 years. Its eco-tourism program has provided support and innovation to the region, thus generating a cash flow that has allowed for the sustainability of FUNEDESIN's projects in the area.
 - The United States Agency for International Development, USAID Global Development Alliance program (GDA)
 - Ecuadorian Canadian Development Fund (FECD), a financing entity for development projects in the country.
- Afterwards, the Alliance has grown to include eight new partners:
- ECORAE, a governmental organisation funded by revenues from oil exploitation in the Amazon Region.
 - Provincial Council of Sucumbíos
 - ARD-Pronorte, a development contractor to USAID, working in the region
 - The Inter-American Development Bank, IDB, financial support to the national government of Ecuador for development
 - The small local Municipalities of Cáscales, Lago Agrio, Shushufindi and San Jorge

The Planning and Managing of a new partnership

Since the beginning of the Alliance, the aspiration of the organisations involved has been that the farmer community organisations be trained to become the key local supporters of the partnership. Those community organisations took on leadership of the local field production process. They handled the production, by means of buying, stocking and processing the cacao produced by the small farmers. This was understood as a critical part of an empowering practice, through which local farmers should be encouraged to undertake new agricultural issues, such as concentrating on the quality and quantity of their cacao production, but also on improving the collective process of decisions and coordination.

As a farmer from one community association explained:” Before this proposal from FUNEDESIN, the farmers’ agricultural production was declining. Moreover, the quality of the cacao produced had been decreasing due to the lack of technical knowledge and the capital to improve it. Most farmers lived in poverty settings, because the lack of training made it hard for them to increase their farming production. Likewise, as incomes were going down, farmers could not come up with the money for the agricultural inputs as well as the requirements of storage needed for the production of a good quality cacao product.”

FUNEDESIN's staff was in charge of the relationship with the villages. They organised the meetings where farmers did not only share their views on the Alliance's work but also the decisions about the next steps for moving forward. Moreover, FUNEDESIN's role has been to facilitate training for the farmers and mobilising and managing resources for these purposes.

Yachana Gourmet and FUNEDESIN staff facilitated a process of capacity building that was essential for community farmer organisations to achieve progress towards the goals set for the local management of cacao production. Yachana Gourmet, a for-profit company, established by FUNEDESIN to find fair, stable markets for the Amazon' agricultural commodities, was extremely helpful for establishing an important local and international market for cacao. They have been annually buying 12 tons of locally grown, organic cacao for their own processing and export, paying fair-trade prices. Yachana Gourmet produced a unique organic chocolate product, known as Yachana Jungle Chocolate, for export to the

United States and to Europe and was recognised by the Fair Trade Federation as a responsible operator.

For any partnership, economic sustainability is always a critical factor to its existence. The international agencies funding support allowed the Alliance, and specifically Yachana Gourmet, to grow, and get close to being self-sustaining. The company's role, as a private sector firm, was to provide economic sustainability to FUNEDESIN 's cacao activities, thus representing a key component to the sustainability of the whole partnership.

Impact of the Alliance

Although it is too premature to evaluate what the full impact of the alliance has been, a number of tangible results have emerged. Firstly, the project has tripled the income of 2,500 families from USD \$240 to USD \$760 annually, allowing farmers to earn a premium price for their cacao at Fair Trade prices, which was at least 30% higher than what an intermediary would pay. More cacao-related jobs have been created to help commercialise the almost one hundred metric tons of cacao that were produced by the local farmers.

At the same time, the alliance has allowed FUNEDESIN, the parent foundation, to strengthen three different cacao grower associations in the region and seventeen village banks. Projects funded by IDB, ARD and others, helped the Alliance complete the construction of the necessary infrastructure and the institutional building of the farmers' associations to facilitate the development of a stronger commercialisation program of raw cacao. Quantitative criteria used to monitor success showed a significant rise in the number of hectares of cacao planted and rehabilitated, as well as the considerable increase in yield per hectare.

However, partnerships do not necessarily lead immediately to sustainable results; for example, the renovation of existing plantations or the planting of new cacao trees would only start generating additional earnings once they become productive in three to five years.

Although project results were significant, there is also a need to take into account the outcomes of the partnership. Such less tangible gains included the sharing of expertise and access to financial resources and networks that have benefited the project.

The alliance brought about the improvement of inter-cultural and inter-sectoral relationships as well as greater understanding of how to deal with local development in the Amazon Region. In particular, the construction of a network of local farmers groups from diverse villages was particularly important for building social capital while promoting wider community involvement.

The partnership could be seen as a catalyst for the development of new initiatives of collective action in the area. The alliance was improving accountability among partners, which was especially important for building transparency and trust with the local communities. Working with the local villagers has increased their mutual understanding of how other sectors operate and has improved their levels of confidence.

As explained by Douglas McMeekin: "The quarterly reporting requirement of USAID has helped to keep the Alliance on track, remain with a single focus and have the information readily available for other Alliance partners requiring financial information. This financial transparency has helped to establish a feeling of trust among most of the partners and improve the credibility of the stakeholders. "

Looking into the local perspective of development of the Amazonian Region, the longer-term impact of the partnership did not only affect the community organisations and the local indigenous and immigrant population participating in the alliance, but, in a wider perspective, they have also been influencing the policy outcomes at both local and national levels.

Moreover, a new and innovative way of public sector collaboration has begun to take place in the region. The lack of a specific enabling environment as well as a weak public sector participation, have been slowly reversed by the recent inclusion in the partnership of ECORAE and the Provincial council of Sucumbios, along with the small local Municipalities of Cáscales, Lago Agrio, Shushufindi and San Jorge.

Furthermore, the alliance has been influential in the way in which international donor agencies are bringing their financial aid for assistance in sustainable development initiatives, thus reconciling environmental sustainability objectives with community initiatives for local economic development. (FUNEDESIN, 2005) Consequently, partnership-inspired new working schemes have been acknowledged and shared with policy makers and international development agencies.

FUNEDESIN has been achieving an enhanced reputation and gaining wider recognition for their conservation and development efforts.

Critical Issues Faced by the Partners:

Time is an issue that was perceived in a different way by each partner. People from FUNEDESIN had a long-term vision of development while local communities were more concerned with the day-to-day issues. Initially, the vision of the alliance and its main objective was “a crazy dream”, as stated by one local farmer. This mix of differences in timescales and perspectives could have become an obstacle in the functioning of the partnership, but it was overcome by the concrete experience of working in partnership, which was generating trust amongst participants. “Working in partnership takes time,” confirmed the staff from FUNEDESIN. “Consequently, in the development of the partnership, improving communication and transparency were both crucially important factors which have improved with time.”

The community organisations involved were quite new as entities that still needed to find out the way of working collaboratively together, and develop internal structures for management and accountability. In some villages, it took time to achieve engagement of local representatives on project collaboration and implementation.

During the first two years of the ACDA’s existence, two of the community associations were organised effectively for achieving the goals set. However, one community organisation has left the alliance. The lack of commitment to the partnership from the directors of the organisation was shown by the community association usually being unable to meet with the deliveries required, both in quantity and in quality. Low production was a direct consequence of management failures and lack of democratic participation of the population. Other farmer organisations were providing the necessary cacao to face the commercial obligations that Yachana Gourmet had taken on to comply with one of the Alliance’s main objectives, the promotion of raw cacao and value-added products produced in the region, in the US and European markets.

Several commercial risks were faced by Yachana Gourmet when assuming obligations for selling abroad both raw cacao and value-added cacao products for benefiting the poor local communities. The international cacao market set very detailed parameters, and this required that the local communities should be provided with agro-technical assistance and micro credit programs to have the potential to produce a competitive product. This has been a huge task, as farmers needed to become conscious that expectations for a food quality product were very strict in the international market and that those international companies and retailers were exclusively interested in working with those suppliers who had the capacity to achieve the required quality, and quantity, in the agreed timeframe. As a result cacao grower associations were intensively trained on product quality.

Another critical issue the alliance faces is the challenge of finding sustainable funding for the projects.

Conclusion

In conclusion, the Alliance is providing evidence that participation works, and that civil society organisations, such as FUNEDESIN, can become a bridge linking the indigenous and immigrant population needs in the Ecuadorian Amazonian rainforest to get access to a sustainable development path.

The interaction between the local Amazon context, its people and its organisations and the wider international community, such as aid agencies and international cacao markets is essential for the agricultural development of the area. Therefore, a broader awareness of the Amazon Cacao Development Alliance and FUNEDESIN's cross-sector partnership experiences could offer a powerful framework for establishing sustainable development processes for the people that are living in other rainforest areas of the world.

To obtain a copy of the longer version of this case study please contact: sh@thepartneringinitiative.org

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