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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

EL SALVADOR

PROJECT PAPER

AGRARIAN REFORM ORGANIZATION

BEST AVAILABLE

AID/LAC/P-060

Project Number: 519-0262
Loan Number: 519-T-029

UNCLASSIFIED

 *5190262 EL SALVADOR *
 * AGRARIAN REFORM ORGANIZATION *
 * PY80 TO FY82 *

PROJECT SUMMARY DESCRIPTION

Grant and loan are provided to the Government of El Salvador (GOES) to support its agrarian reform program. Project consists of two components. Component one focuses on farmer organization and training. The National Center for Agricultural Training (CENCAP), with the help of other GOES agencies, will implement a three-part training program. In phase one, CENCAP will train some 240 each technicians and promoters from the Ministry of Agriculture's (MAG) Agrarian Reform Institute (ISTA) in methods of campesino education, cooperative organization, and farm administration; and as many as 1,500 leaders of campesino associations in leadership, farm administration, group consciousness, recognition of membership needs, and interagency resource identification and coordination. This latter training will be reinforced by CENCAP mobile training teams. ISTA technicians will initiate on-farm training of campesinos in community and agrarian development. In phase two, ISTA technicians and promoters will be trained to conduct seminars for association leaders in technical, administrative, and organizational orientation; as well as technical training courses in areas such as elementary farm management, agricultural mechanization, and the standard accounting system. With the help of CENCAP mobile units, ISTA trainees will then train association leaders in these areas, directing them towards a state of independent self-management. Attainment of the latter will be intensively sought in the short-term seminars for association leaders that will constitute phase three of the program. A credit mechanism for some 40,000 members of campesino associations or cooperatives will be tested. Two credit lines will be established--a short-term/high interest line for immediate needs, and a medium-term line for permanent improvements. Agricultural Development Bank personnel will be trained in agricultural credit planning, loan management and other related courses. In addition, ISTA will develop for implementation in each campesino association an accounting/information system, and will support the system for at least one year.

DESCRIPTORS

LAND REFORM	FARMER TRAINING	AGR CREDIT	AGR COOP
AGR MGMT	AGR MGMT TRNG	AGR TECH TRNG	FINANCIAL MGMT
MGMT TRAINING	FINAN RECORD	ACCTG TRAINING	INSTIT BUILDING
LEADER TRAIN			

SUB-PROJECT NUMBER: 01

BATCH NUMBER: 98

 *5190262 EL SALVADOR *
 * AGRARIAN REFORM ORGANIZATION *
 * PY80 TO FY82 *

PROJECT SUMMARY DESCRIPTION

Grant and loan are provided to the Government of El Salvador (GOES) to support its agrarian reform program. Project consists of two components. Component two is aimed at improving GOES capability to plan, implement, and evaluate the reform. GOES sector agencies will implement the project with technical assistance from USAID and Technoserve, Inc. In order to broaden the number of reform beneficiaries, permanent employment opportunities for presently untitled rural poor will be increased. The Sectoral Office of Agricultural Planning (OSPA) will analyze farm needs and potential, especially of underutilized haciendas and those with surplus labor, and will make recommendations for land use patterns and campesino employment. This analysis will be conducted by the OSPA central office and by four specially trained OSPA field teams.

GOES will be assisted in implementing the Land-to-the-Tiller reform with the help of one each long-term agrarian reform and systems and procedures specialists, as well as short-term organizational management specialists. The National Center for Agricultural Training (CENCAP) will conduct a "training-for-trainers" program for National Technology Center (CENTA) personnel responsible for field implementation of this reform. A total of 14 departmental coordinators, 42 agency supervisors and 288 field level land reform agents will be trained in implementation regulations, provisional titling, operational plans for implementation, etc., and will be mobilized for field data collection and title issuance. The Ministry of Agriculture and Livestock, using the media and campesino field promoters, will inform beneficiaries and landowners of the reform policies and program.

Finally, to upgrade GOES capability for reform planning, an Agrarian Reform Planning, Policy and Evaluation Division will be established within OSPA. A long-term agricultural planning advisor and a long-term planning and research advisor will assist OSPA in establishing the new Division. Additional assistance in data processing, computer programming and information analysis will be provided as required.

DESCRIPTORS

LAND REFORM	AGR MGMT TRNG	AGR TECH TRNG	MGMT TRAINING
INSTIT BUILDING	AGR PLAN POLCY	EVAL METHOD	EMPLOYMENT
FARMER TRAINING	AGR DEVEL TRNG	AGR DEV STRATGY	

SUB-PROJECT NUMBER: 02

BATCH NUMBER: 96

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER FACESHEET		1. TRANSACTION CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">A</div> A = ADD C = CHANGE D = DELETE		PP 2. DOCUMENT CODE 3
3. COUNTRY/ENTITY EL SALVADOR		4. DOCUMENT REVISION NUMBER 		
5. PROJECT NUMBER (7 digits) <div style="border: 1px solid black; display: inline-block; padding: 2px;">519-0262</div>		6. BUREAU/OFFICE A. SYMBOL IAC B. CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">05</div>		7. PROJECT TITLE (Maximum 40 characters) <div style="border: 1px solid black; display: inline-block; padding: 2px;">AGRARIAN REFORM ORGANIZATION</div>
8. ESTIMATED FY OF PROJECT COMPLETION FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">82</div>		9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">810</div> B. QUARTER <div style="border: 1px solid black; display: inline-block; padding: 2px;">4</div> C. FINAL FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">812</div> (Enter 1, 2, 3, or 4)		

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$1 -)						
A. FUNDING SOURCE	FIRST FY 80			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL						
(GRANT)	(1,300)	(1,300)	(2,600)	(1,700)	(1,550)	(3,250)
(LOAN)	(-)	(3,900)	(3,900)	(268)	(11,482)	(11,750)
OTHER U.S. 1.						
OTHER U.S. 2.						
HOST COUNTRY					6,000	6,000
OTHER DONOR(S)						
TOTALS	1,300	5,200	6,500	1,968	19,032	21,000

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY 80		H. 2ND FY 81		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) ARDN	230	030	044	1,000	3,900	650	7,850	-	-
(2) ESF	230	030	044	1,600	-	-	-	-	-
(3)									
(4)									
TOTALS				2,600	3,900	650	7,850	-	-

A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED MM YY
	P. GRANT	Q. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1)	-0-	-0-	-0-	-0-	3,250	11,750	<div style="border: 1px solid black; display: inline-block; padding: 5px;"> MM YY </div>
(2)							
(3)							
(4)							
TOTALS		-0-	-0-	-0-	-0-	3,250	11,750

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA. BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

2

 1 - NO
 2 - YES

14. ORIGINATING OFFICE CLEARANCE			15. DATE DOCUMENT RECEIVED IN AID 'W' OR FOR AID 'W' DOCUMENTS, DATE OF DISTRIBUTION		
SIGNATURE		DATE SIGNED	MM DD YY		MM DD YY
TITLE					
		07 25 80	07 28 80		

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C. 20523

PROJECT AUTHORIZATION

Name of Country: El Salvador
Name of Project: Agrarian Reform Organization
Number of Project: 519-0262

1. Pursuant to Sections 103 and 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Agrarian Reform Organization project for El Salvador (the "Cooperating Country") involving planned obligations of not to exceed Eleven Million Seven Hundred Fifty Thousand United States Dollars (\$11,750,000) in loan funds ("Loan") and Three Million Two Hundred Fifty Thousand United States Dollars (\$3,250,000) in grant funds ("Grant") over a two-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign currency and local currency costs for the project.

2. The project ("Project") will initiate the agrarian reform's farmer organization and training activities, reinforce its implementation, strengthen planning and evaluation capabilities, and will increase the availability of credit for beneficiaries of the Salvadoran Agrarian Reform by helping to strengthen the capability of the Banco de Fomento Agropecuario ("BFA") to provide for the special credit requirements arising from the Salvadoran Agrarian Reform.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

a. Interest Rate and Terms of Repayment (Loan)

The Cooperating Country shall repay the Loan to A.I.D. in U.S. Dollars within twenty-five (25) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services (Loan)

Goods and services, except for ocean shipping, financed by A.I.D. under the Loan shall have their source and origin in countries included in A.I.D. Geographic Code 94L, or in countries that are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed

by A.I.D. under the Loan shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States or of countries that are members of the Central American Common Market.

c. Source and Origin of Goods and Services (Grant)

Goods and services, except for ocean shipping, financed by A.I.D. under the Grant shall have their source and origin in the United States or in countries that are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

d. Conditions Precedent to Disbursement for Credit Activities (Loan and Grant)

(1) Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, to finance credit activities, other than technical assistance, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that the BFA has established the BFA Credit Facility for members of Campesino Unions, specific lending procedures and a mechanism for short-term production credit and for medium term credit for agriculture, agro-industry and cottage industry activities.

(2) Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance credit activities, other than technical assistance, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that the BFA has:

(a) a directive establishing the line of credit and procedures for lending credit for the BFA Credit Facility;

(b) a plan to advise and assist unions in personnel orientation and delivery of credit;

(c) a financial plan for the use of credit through the BFA Credit Facility;

(d) established the terms under which credit will be provided, including interest rates and maximum amount.

e. Condition Precedent to Disbursement for the Special Cooperative Association Line of Credit (Loan)

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, to finance the Special Cooperative Association Line of Credit, the Cooperating Country shall, except as A.I.D. may otherwise agree in

writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that the Special Cooperative Association Line of Credit has been established and can be used for crop production credit, medium and long-term investment requirements, and hacienda administrative requirements.

f. Condition Precedent to Disbursement for Computer Services (Loan and Grant)

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, to finance computer services, other than technical assistance, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., an analysis of how the computer applications included in the Project will be carried out. The analysis shall consider:

- (1) the advantages and disadvantages of renting as opposed to A.I.D. purchasing, and
- (2) the use of a network computer system for the reform sector, taking into account existing installed capacity, the information dimensions of the reform process and the computer companies established in El Salvador.

g. Waiver (Loan)

Motor vehicles financed by A.I.D. under the Project and having a value of approximately \$420,000 shall be purchased on a competitive basis, but may be procured without publication in the Commerce Business Daily or other means of international publication.

h. Waiver (Grant)

Competition for the procurement of technical assistance for the Farmer Organization and Training Component of the Project is hereby waived and a single-source contract may be negotiated with the American Institute for Free Labor Development in an amount not to exceed \$1,600,000.


Acting Administrator

Sept. 29, 1980
Date

Clearances:

- GC/LAC:BVeret: BV/6 date 9/25/80
- LAC/CEN:MArnold: Ma date 9/25/80
- LAC/DR:CPeasley: CP date 9/23/80
- AAA/LAC:EWCooy: W date 9/29/80
- LAC/DR:MBrown: MB date 9/25/80
- AA/PPC:AShakow: AS date 9/25/80
- GC/NLHolmes: NL date 9/26/80
- GC/LAC:DAAdams:ckg:9/18/80:29183

TABLE OF CONTENTS

AGRARIAN REFORM ORGANIZATION
PROJECT PAPER

I.	<u>SUMMARY AND RECOMMENDATIONS</u>	
	A. Face Sheet	i
	B. Table of Contents	ii.
	C. Recommendations	iv
	D. Borrower/Grantee	iv
	E. Project Summary	iv
	F. Summary Financial Table	v
	G. Conditions and Covenants	v
	H. Waivers	vi.
II.	<u>BACKGROUND</u>	1
III.	<u>RATIONALE AND DESCRIPTION</u>	
	A. Rationale	1
	B. Project Description	4
	1. Goal and Purpose	4
	2. Detailed Project Description	5
	a. Farmer Organization and Training	5
	1) Phase I and II Training	5
	2) BFA Credit Facility for Members of Democratic Farmer Groups	15
	3) Increment to Special Cooperative Line of Credit	21
	4) Accounting/Information System	22
	b. Reform Administration	28
	1) Beneficiary Broadening	28
	2) Implementation of Decree 207	33
	c. Reform Planning and Evaluation	38
IV.	<u>PROJECT ANALYSES</u>	
	A. Social Analysis	44
	B. Financial Analysis	46

C. Technical Analysis	48
D. Institutional Analysis	48
E. Economic Analysis	52

V. IMPLEMENTATION ARRANGEMENTS

A. Host Country Implementation Responsibilities	54
B. A.I.D. Arrangements	54
C. Implementation Schedule	55
D. Evaluation Plan	55
E. Conditions and Covenants	56

ANNEXES

I. LEGAL EXHIBITS

- A. Logical Framework
- B. Application Letter
- C. Checklist
- D. Draft Authorization
- E. Initial Environment Examination
- F. DAEC Cable

II. PROJECT EXHIBITS

- A. Social Analysis -Comments on Land Tenure and the Course of Agrarian Reform
- B. The Macro Economic Situation
- C. Component Details and Budgets
 - 1. Training
 - 2. Agricultural Credit Supply and Demand
 - 3. Beneficiary Broadening
 - 4. Implementation of Decree 207
- D. Detailed Institutional Analysis
- E. Democratic Farmer Organization (on file in LAC/CEN, LAC/DP, and LAC/DR).
- F. Financial Tables

A. Face Sheet

B. Table of Contents

C. Recommendations

1. USAID/El Salvador recommends authorization of a development loan for \$11.75 million and a grant of \$3.25 million for the Agrarian Reform Organization Project. 1/ The loan shall be repaid to AID in United States dollars within twenty five years from the date of the fund disbursement, including a grace period of not to exceed ten years. The rate of interest shall be 2% during the grace period and 3% thereafter.

D. Borrower/Grantee

The Borrower/Grantee will be the Government of El Salvador. The Office of the Sub-Secretary of Agriculture will be responsible for overall implementation of the project. The major implementation entities include Salvadoran Agrarian Transformation Institute (ISTA), National Center of Agricultural Technology (CENTA), National Center for Agricultural Training (CENCAP), Office of Agricultural Sectoral Planning (OSPA), a new mortgage banking entity formally known as the Financial Corporation for Agrarian Transformation (COFINTA), and the Agriculture Development Bank (BFA).

E. Project Summary

The project is designed to support implementation of the Agrarian Reform Program in El Salvador. Its purpose is to initiate the agrarian reform's farmer organization and training activities, reinforce implementation of the reform, and strengthen the Government's planning and evaluation capabilities. The project was originally proposed as part of the Agrarian Reform Sector Phase I PID. However, because of the urgent need for credit resources, that component was removed from the project, and a separate project, the Agrarian Reform Credit Project (519-0263), was prepared. The Agrarian Reform Organization Project provides additional resources for credit and expands support for development of the institutions that are responsible for implementing the agrarian reform program.

There are three major components in this project: (1) Farmer organization and training providing campesino, farm management and technician training; credit through special facilities established in the BFA, one for cooperative associations of the reform sector and the other for democratic farmer unions, and development of a multipurpose, unified ac-

1/ The grant will be financed by \$2.6 million of Economic Support Funds and \$650,000 of Development Assistance funds.

counting system to facilitate improved farm management; (2) Reform Administration establishing a multipurpose, long range farm planning system, and support for implementation of the Land-to-the-Tiller Program (3) the creation of a Reform Planning and Evaluation unit in OSPA.

In sum, the project seeks to support the efficacious implementation of the land reform through technical and material assistance for the implementation of the Land-to the Tiller Decree and to initiate the process of consolidating the reform that began on March 6th with the intervention of haciendas larger than 500 hectares. The project provides for planning, organization, training and credit for the reform sector, which are essential to the reform's success. This project, together with the Agrarian Reform Credit Project authorized on June 28, 1980, constitutes the first installment of the Mission's programmed Agrarian Reform Sector Program. The successful implementation of these two projects will create the basis for an accelerated reform, whose vision is more clearly defined and whose people and institutions are better prepared to carry the reform forward toward the realization of its ultimate goal-growth with equity.

F. SUMMARY FINANCIAL TABLE

COMPONENT	AID		GOES	TOTAL PROJECT
	LOAN	GRANT		
I. Farmer Organization and Training	8,050	2,360	1,000	11,410
II. Reform Administration	2,195	480	5,000	7,675
III. Planning and Evaluation	550	200	-	750
IV. Contingencies and Inflation	955	210	-	1,165
TOTAL	11,750	3,250	6,000	21,000

G. Conditions and Covenants

We propose to include the following conditions precedent to disbursement in the project agreement.

1. Prior to any disbursement of funds in support of credit activities financed by this assistance, other than technical assistance, the GOES will provide to AID evidence that BFA has established the BFA Credit Facility for Members of Campesino Unions, specific lending procedures and a mechanism for short-term production credit and for medium-term credit for agriculture, agro-industry and cottage industry activities. This will

include (a) a directive establishing the line of credit and procedures for lending the credit; (b) a plan to advise and assist unions in orientation of personnel and delivery of credit; (c) a financial plan for the use of the BFA credit facility; and (d) terms under which the credit will be provided, including interest, maximum amount, etc.

2. Prior to any disbursement for the Special Cooperative Association Line of Credit the GOES shall provide evidence that such a special line has been established which can be used for (a) crop production credit, (b) medium and long-term investment requirements, and (c) hacienda administrative requirements.

3. Prior to any disbursement for computer services, an analysis of the computer applications included in this project will be carried out. That analysis will take into account: (1) the advantages and disadvantages of renting versus AID purchasing, and (2) the use of a network computer system for the reform sector, taking into account existing installed capacity, as well as the information dimensions of the reform process, and the computer companies established in El Salvador.

H. Waivers

Mission requests two waivers: (1) a waiver of normal U. S. advertising regulations and authority to enter into negotiated procurement for up to 35 vehicles costing approximately \$420,000; and (2) a single source waiver to permit negotiation of a \$1.6 million contract for technical assistance in campesino training. Justifications for these waivers are provided in the Action Memorandum requesting authorization of the project.

LIST OF ACRONYMS

- ACOPAI - Asociaciones Cooperativas de Producción Agropecuaria Integradas
(Cooperative Associations of Integrated Agricultural Production)
- AIFLD - American Institute for Free Labor Development
- BFA - Banco de Fomento Agropecuario
(Agricultural Development Bank)
- BID - Banco Interamericano de Desarrollo
- CATIE - Centro Agronómico Tropical de Investigación y Enseñanza (Costa Rica) -- El Salvador is co-participant
- CCS - Centro de Campesinos Salvadoreños
(Salvadoran Campesino Center)
- CENTA - Centro Nacional de Tecnología Agropecuaria
(National Technology Center)
- CTS - Central de Trabajadores Salvadoreños
(Salvadoran Workers Center)
- DAA - Departamento de Asociaciones Agropecuarias
(Department for Agricultural Associations)
- DGEA - Dirección General de Economía Agropecuaria
(General Directorate for Agricultural Economy)
- DIDECO - Dirección de Desarrollo Comunal
(Directorate for Communal Development)
- FAO - Food and Agriculture Organization
(El Salvador is co-participant)
- IBRD - International Bank for Reconstruction and Development
- IICA - Instituto Interamericano de Ciencias Agrícolas
(Inter-American Institute for Agricultural Sciences)
- INCAE - Instituto Centroamericano de Administración de Empresas
(Central American Institute for Business Administration)

- INSAFOCOOP - Instituto Salvadoreño de Fomento Cooperativo
(Salvadoran Institute of Cooperative Development)
- IRA - Instituto Regulador de Abastecimientos
(Institute for the Regulation of Provisions)
- ISTA - Instituto Salvadoreño de Transformación Agraria
(Salvadoran Institute for Agrarian Reform)
- JRG - Junta Revolucionaria de Gobierno
(Revolutionary Governing Junta)
- MAG - Ministerio de Agricultura y Ganadería
(Ministry of Agriculture and Livestock)
- ORDEN - Organización Democrática Nacionalista
(Nationalist Democratic Organization)
- OSPA - Oficina Sectorial de Planificación Agropecuaria
(Sectoral Office for Agricultural Planning)
- UCS - Unión Comunal Salvadoreña
(Salvadoran Communal Union)

II. BACKGROUND

On March 6, 1980, the Junta Revolucionaria de Gobierno (JRG) initiated El Salvador's agrarian reform by decreeing its basic law and by intervening and turning over to campesino associations 238 holdings greater than 500 has. The holdings contain almost 251,000 has. and include some of the country's best farm lands. That bold stroke, an affront and serious blow to the power held by the small elite which has controlled El Salvador since its independence, was followed on April 28, 1980 by an equally radical measure. The JRG issued the so-called "Land-to-the-Tiller" (Decree 207) which will give an estimated 160,000 renters, share-croppers, and colonos the opportunity to become the owners of the land which they work, some 200,000 has. These two measures have already affected 31% of El Salvador's farm lands. The basic law also decrees as affectable holdings between 100 and 500 has. These holdings which have been dubbed "Phase II" total an estimated 343,000 has. on some 1700 to 1800 farms. The JRG has stated that Phase II of the reform would not be initiated in 1980. When El Salvador's reform is fully implemented, it will have affected well over half of the country's farm land.

For further background information on the nature of the reform, its background, its progress to date, its problems, and its economic and social environment the reader is referred to the Mission's Agrarian Reform Sector Strategy Statement which is being reviewed concurrently with this PP and is incorporated into it by reference. That strategy statement also discusses the relationship between the reform's phases and its expected impact on our target group; quantifies its enormous financial and foreign exchange costs, discusses and analyzes the financial, institutional and policy constraints that the reform's implementation faces; explores El Salvador's current macro-economic problems; proposes strategy objectives for external assistance to the reform; discusses the role of other donors; proposes an annual bilateral foreign assistance level of \$85,000,000 for the FY 1980-FY 1984 period, which would be funded almost entirely by ESF and PL-480 and of which \$50.0 million would be targeted for the reform sector through a series of sector programs; and finally, it proposes a new foreign assistance program initiative -- a \$400 million AID Commercial Lending Guarantee Program for the GOES.

III. RATIONALE AND DESCRIPTION

A. Rationale

1. Relation of the Project to the Sector Program

The overall AID strategy for supporting the Agrarian Reform Sector is fully described in the Agrarian Reform Strategy Statement that accompanies and will be reviewed with this Project Paper. Our objective is to provide in-

mediate, appropriate, and flexible material and technical support to alleviate the constraints which exist to maintaining and increasing agriculture production and to the efficacious implementation of all of the reform's phases. To date, using various instruments AID has provided \$20.0 million of "emergency assistance" for the reform program. From the ESF account \$3.25 million has been channeled to partially defray the extraordinary operating costs of the entities responsible for the Phase I intervention; \$750,000 is being employed for short-term technical assistance to support the immediate planning, organization, and implementation needs; a \$1.0 million OPG with the American Institute for Free Labor Development (AIFLD) is being used to support Unión Comunal Salvadoreña (UCS) agrarian reform activities; and a P.L.-480 Title I Agreement financing \$3.0 million worth of wheat which will be sold for local currency that will be used to finance immediate credit reform needs. 1/ The Marginal Community Improvement (MCI) project contains \$8.0 million for community service improvement and employment generation; the Mission and the GOES are exploring ways of carrying out MCI-funded activities on the reform haciendas 2/. In addition, the recently signed Agrarian Reform Credit project, which forms part of the first Sector Program, contains \$9.5 million to increase the availability of credit to Phase I associations and \$500,000 for technical assistance to improve the capacity of the Agricultural Development Bank (BFA) to provide such credits, and that of the associations to plan for them. The "emergency assistance" was designed to be helpful during the months immediately following the start of the reform and until a more comprehensive longer-term package could be put together. This project will provide additional assistance to strengthen the institutional capabilities of the reforms implementing entities as well as support for the now to be implemented Land-to-the-Tiller Program (LTTT), and rounds out the first Sector Program. New Sector Programs, including P.L.-480, Title III, are planned for future years to continue the activities that are being initiated under this Agrarian Reform Organization project and under the Agrarian Reform Credit project. Up-coming Sector Programs which the Mission believes will require about \$50 million a year (including \$25 million of P.L.-480 annually) will enable the GOES to expand and deepen, and eventually consolidate the reform. It is also intended that the Sector Programs, together with other AID (also hopefully other donor) inputs will also assist in filling an extremely large macro-level resource gap, which if not filled will impede El Salvador's economic recovery and continue to threaten the agrarian reform's successful implementation.

2. Basis for Selection of Project Components

Within the context of the overall Sector Program strategy, the com-

1/ Because Title I local currency generations will not start to take place until September or October, the Central Bank is providing bridge financing to the BFA based on future Title I.

2/ An estimated \$2 million will be spent in the reform sector, bringing total AID assistance for the reform to \$20.0 million in FY80.

ponents and activities to be financed under this project will be selected and dimensioned in accordance with the following criteria:

a. They have high priority in this, the reform's early stage, including activities which must be initiated now but which do not yet require significant resource transfers.

b. The activities included funding between now and the next crop cycle (April-May), with operating costs not being financed for over a year and technical assistance (and high Salvadoran staff) not being financed for more than 18 months.

[The mix of activities financed under this project responds to an ^{strategy} implementation strategy through which AID has provided initial, immediate, and flexible ESF financing to plug holes in the reform implementation effort and to provide more credit and other resources to minimize any possible drop in agriculture production.] The other project in the first Sector Program is developing broad based credit delivery mechanisms to ensure that appropriate credit is available on a timely basis to 238 Phase I producer associations. The components of the Agrarian Reform Organization project provide support for new activities such as the "Land-to-the-Tiller" implementation and "Beneficiary Broadening" and for on-going training and Phase I credit activities. This is, in effect, the first real attempt to go beyond resource transfer -- primarily credit operational support -- and finance "softer" activities -- such as cooperative development, beneficiary broadening and strengthening of democratic farmer organizations. This also is the point where the agrarian reform program will begin to implement policies and procedures that support both a more efficient utilization of resources at the farm level and a management systems assigning accountability for use of resources at the farm level to the farm managers.

3. Financial Constraints

The Mission's best estimate, described in the Agrarian Reform Strategy Statement, is that over the next five years the Agrarian Reform Program will require \$389 million for new agriculture credit and \$286 million in cash compensation to former owners and agrarian debt service. On an annual basis, the Mission estimates that these resources will come from: (1) Campeños - \$43 million; (2) Banking system - \$158 million per annum (including GOES expenditures of \$80 million). Most of the AID support so far has been for production credit (about \$13 million). Clearly more is needed. This project will include an additional \$3 million for the Agricultural Development Bank credit program and about \$2 million to finance a special line of credit for members of democratic campesino unions. This highly experimental credit program, is a new GOES initiative and the \$2 million is provided as seed capital to try to make system work.

4. Procedural and Policy Constraints

Although Salvadorans long have speculated about agrarian reform and there have been many unimplemented plans for reform drafted in the past, when

the actual reform began, there was insufficient planning for it. Preparations for the Phase I take-over were made very quickly after the political decision was taken and its details were very closely held so that opposition would be minimum. Planning for the reform's further implementation continues to be insufficient and inadequate and it also continues to be closely held. The insufficiency of prior planning has been compounded by changing leadership within the government and by the fact that the reform and related events have moved more quickly than priority implementation needs such as approval of policies and procedures.

The decision to implement "Land-to-the-Tiller" is a case in point. No prior studies were made and to date only a rough implementation strategy has been prepared. The decision to move ahead with full "tiller" implementation was taken during the week of July 14-19. Except for the Decree itself, there is to date very little on which to base its implementation.

5. Institutional Constraints

The reform caught most of the implementing institutions by surprise. It forced them to improvise. Considering the circumstances most did a good job, especially given that violence has taken a heavy toll on many government entities: offices have been vandalized; jeeps have been burned, and employees have been threatened, beaten and assassinated. As a result, most of these institutions are strained to the brink. The overall pace of implementation of the agrarian reform program slowed considerably of late because of human and material constraints. Partially because of these problems, the GOES shifted responsibility for implementing the "tiller" program from ISTA to CENIA, Ministry of Agriculture Extension Service. In Phase I these constraints may become a serious problem as employees from other entities that were seconded to ISTA, (from BFA, CENIA, etc.) are returning to their own agencies. Their purpose has been largely accomplished: they held the program together initially - gave it extra manpower and expertise. With "tiller" implementation, the same kind of strain will be put on CENIA and others. These institutions will have to be strengthened and the improvements made.

These tasks are monumental. Farm land use changes must be considered and carried out to absorb more labor; former owner reserves must be defined equitably and in a manner which leaves two viable farms, campesino organizational and technical training must be carried out; credit must be reviewed, delivered, and collected; inputs must be supplied, marketing systems must be established or perfected; and managerial and technical assistance provided. Work must begin on developing policies and procedures for the LTTT program, new legal processes, etc.

The institutional framework for carrying out these tasks exists, but the institutions are overtaxed, under-supported, and still being developed.

B. Project Description

1. Goal and Purpose

The sector goal is to increase agricultural production, incomes, and employment in the agrarian reform sector. This goal has many ramifications and

Project Purpose

summarizes a whole set of objectives which are explained in the Agrarian Reform Sector Strategy Paper. Its purpose is to initiate the agrarian reform's farmer organization and training activities, reinforce implementation of the reform, and strengthen the Government's planning and evaluation capabilities. By the end of the eighteen month project, we expect the following conditions to have been achieved.

-- The Ministry of Agriculture and Livestock will be more effective at developing agrarian reform policies and procedures, implementing them, and evaluating their effects.

-- Producer associations will be carrying out sound accounting on 238 intervened farms;

-- The BFA will have strengthened its on-going Special Line of Credit for Phase I and Phase II farms and will have institutionalized a multipurpose credit program for democratic campesino unions.

-- The MAG will have finished provisional titling of "tiller" beneficiaries;

-- A functioning mortgage banking and land payment system will have been established.

2. Detailed Project Description

a. Farmer Organization and Training (Component I)

1) Agrarian Reform Training

a) Training Objectives

The establishment of viable, self-sufficient, participatory campesino enterprises are key to the agrarian reform's success, especially in phases I and II. Similarly, unless the rights (and corresponding responsibilities) of the reform's beneficiaries are established in all of the reform's phases, the reform will not have served its fundamental purposes. In order to help achieve these objectives of the reform, the participants in the reform process need training, be they beneficiaries, campesino association board members, reform sector farm managers and employees, or public servants working to further the reform's implementation. Training is needed in order to improve their skills, their understanding of the reform's objectives, and of their roles in it. The project will help provide that training.

b) Training Resources and Organization

CENCAP, the National Center for Agricultural Training, and ISTA, the MAG's principal reform implementation entity, will be the key

institutions involved in agrarian reform training. CENCAP has been designated by MAG to be the institution in charge of reform training; its function, in addition to carrying out training itself, will be to broker, coordinate, facilitate, plan, and evaluate reform-related training. ISTA's principal training assets are its on-farm technicians and promoters who have day-to-day contact with the ex-colonos and the hacienda's managements.

CENCAP has already received \$381,000 of ESF to initiate priority reform training with which it quickly is refurbishing 3 existing training centers, increasing its staff from 40 to 72, and acquiring vehicles and materials for its courses and on-farm training. It is receiving significant resources from an IBRD-FAO project designed to strengthen its training capacity 1/.

In spite of this limited experience and institutional capability, discussed at greater length in IV.D., CENCAP has responded dynamically to the reform's challenge and has already demonstrated a unique understanding of the reform's problems and training requirements, as well as its own limitations. Importantly, CENCAP has independently and in cooperation with other government agencies (e.g. ISTA, BFA, CEMTA) developed methodologies and curricula, conducted training and devised post-training evaluation for agrarian reform education directed toward small farmers and agricultural technicians and extensionists.

Closely allied with CENCAP, is ISTA's Gerencia de Desarrollo Comunal y Agrario (Division for Community and Agrarian Development). This ISTA Gerencia or Division is in charge of promotion, organization, training, and social development within the reform's Phase I. In other words, it is in charge of on-farm training and backstops the social promoters which are attached to each Phase I hacienda. Within ISTA, it is a strong advocate of the campesino viewpoint, and the people it backstops are in day-to-day contact with the ex-colonos.

This project activity will support the training endeavors of these two entities.

c) The Participants, Their Roles in the Agrarian Reform, and the Types of Training Required

The project will help train public officials working in the

1/ IBRD is financing ten new training centers for CENCAP which are programmed to be completed by the end of 1981. From FAO, and partially financed by IBRD loan, it is receiving 93 P.M. of long and short-term technical assistance in communications, farm management, rural training, etc. The scopes of work for those FAO technicians (only one of whom is here -- a recruiting problem, apparently) are included in Annex II.C.I.

reform sector, officials and members of the Phase I campesino associations, the reform's beneficiaries themselves and the farm managers.

(i) Public Official Training

Reform implementation has put a great deal of stress on the agricultural sector institutions involved in the reform; they are stretched to the very limits of their human and material resources. The MAG is dealing with the situation in three ways: (1) by detailing employees to the institutions most strapped; (2) by reassigning functions to dependencies which because of the reform have had their workloads reduced or eliminated; and (3) by hiring new people to carry out new or expanded functions or to replace those who, having been temporarily detailed, must return to their normal functions. Clearly this process requires significant training, initially to orient and give guidance, and secondly, to upgrade skills.

There are several parameters that circumscribe public officials' functions in the implementation of Phase I:

a) The GOES does not want the Phase I haciendas to become state farms; its goal is rather that their management be turned over to the reform's beneficiaries as quickly as their association can be organized and the management chosen by those trained to handle these multimillion dollar enterprises. In this respect, the Basic Law for Agrarian Reform stipulates that there is to be a period of joint management (co-gestion) of the farms between ISTA and the new campesino associations which the law mandates be organized on the intervened farms. These new worker-owned entities will take on the full responsibility for management (auto-gestion) of the farms as they are able of doing so. Bringing about the capability for auto-gestion is then a primary public, official and training function.

b) As is pointed out in the social analysis, colonos tend to be docile and dependent, yet now they are supposed to take charge of their enterprises and their lives.

c) The farm must be well managed to produce, provide employment, and not be a drain on the public treasury.

d) The members of the Asociación, its Board of Directors, and its management must comply with GOES laws, agrarian reform policy, and with their obligations to outside entities, e.g., they must pay their credits back, not steal from each other, or the state, and generate a surplus for capitalization and former-owner compensation, etc.

For the on-farm ISTA technician the above implies a

monitoring, control, guidance, and training function. 1/ For the ISTA social promoter it implies "conscienceness raising" for the colono, facilitating discussion and community action on common problems, explanation of the reform measures, encouragement of the constructive resolution of conflict, and advice on the firm's organization.

The training and technical assistance which this project provides for ISTA and CENCAP employees could be characterized as "training for trainers". The PID approval cable raised as a possible issue the stress which the PID appeared to give to public official training when the objective of training is auto-gestion. The answer is that during this early stage of the reform the institutions in charge of campesino training and reform implementation must be geared up. The three stage training plan submitted by CENCAP prudently stresses training for ISTA technicians and promoters in the early stages of the reform so that they can properly carry out their guidance and training functions on the farms. It is not possible to become an accountant or a manager in one or two weeks. It is possible, however, in one or two weeks to train agronomists in the principles and policies underlying the reform and perhaps even in what the essential elements of an adequate property control system are, in order that they at least know whether or not the farms entrusted to their charge have adequate systems or not. Another important function of the first cycle of seminars being carried out with ISTA technicians and promoters is that CENCAP personnel better understand the reform's problems and realities and the possible role training can play in helping to resolve them.

In addition to "training trainers", it is important that the personnel and especially the new personnel of entities in charge of providing important support services to the reform sector be trained in their functions and moreover, that key personnel with responsibility for the further implementation of the reform process receive orientation in functions which are not their normal ones.

(ii) Beneficiary Training

In the final analysis, it is the beneficiaries and especially their chosen leaders who will be determinant in the reform's success. Beneficiary and beneficiary leadership training (the asociación

1/ On an undetermined number of farms, colonos discharged the administrator, (very few owners managed these properties or lived on them) or he left voluntarily with the take-over. On many of these farms ISTA-MAG technicians have had to temporarily take over management functions. There is divergence between MAG and ISTA over whether or not these old administrators ought to be "recycled" ("imposed" says ISTA, "assigned" says MAG.)

board members) will stress the nature of their enterprise and their respective responsibilities within the context of the enterprise. For example, all members of the Boards of Directors of the Asociaciones should be able to read a balance sheet and income statement. How else will they know whether or not the enterprise's management (who are the worker's employees) is doing a good job or not? Beneficiaries, in general, should also understand their roles in their enterprises, the parameters within which their enterprise must function, and such matters as how earnings should be divided, the importance of reinvestment for the future, why there can not always be work for all, etc.

(iii) Management Training

The area which is perhaps the least developed in the training area is that of management training and development. Most of these large enterprises do have employees who serve as their managers. This class of employee includes the actual administrator, the enterprise's bookkeepers, and its escribientes (literally writers or clerks), who keep records. Many of these people stayed on their haciendas and were empleados de confianza (trustworthy employees) of the old owner. Most are the children of colonos who within the hacienda system "made good." Within the concept of auto-gestion, it is they who are the key. Even though it was against the general idea of the asociaciones that they as the firms' employees be on their Boards of Directors, they were in fact often elected to them by the members.

Not only does this management class on the haciendas need to understand their new roles and who their new patronos are, but it also has to develop new skills, e.g. how is social control maintained in worker owned and operated farms when, for example, it is up to you to determine work assignments, do you give the unpleasant work to your "boss" who is a member of the Board of Directors? How is discipline maintained in a worker-owned farm?, etc.

(iv) Democratic Campesino Union Training

As a follow-on to assistance begun in early FY 80, this project will continue to finance technical assistance and support for democratic campesino groups. This training is described in more detail in Annex E.

(d) Project Activities

(i) The Phase I Reform

CENCAP and ISTA have developed a three part training program for the Phase I reform.

-- Part I, June, 1980 to January, 1981

CENCAP is presently in the process of implementing Part I of the training strategy for Decree No. 154 affected farms, which is directed toward asociación leaders, public sector employees, and hacienda administrators. Part I will entail training over a period of two to three months of some 240 ISTA-MAG technicians, 240 ISTA promoters, and perhaps

as many as 1,500 asociación leaders in selected training centers throughout the country. CENCAP will utilize trainers from other GOES agencies to bolster its own manpower force for carrying out Part I training activities. Three one-week courses will be held for technicians which will focus on methodologies of campesino education, cooperative organization, and elements of farm business and public administration (how to function within the GOES bureaucracy). Asociación board members will receive a one-week training course touching on elements of leadership training, business administration, group consciousness, recognition of membership needs, and interagency resource identification and coordination. In addition, Part I of the training will also include a one-week seminar for 20-25 mid-management government officials of the Ministry of Agriculture and ISTA. This training will focus on the administrative and financial procedures of agrarian reform implementation. The course outlines for Part I training are in Annex II.C.1.

In order to reinforce the skills obtained through these courses and ISTA's "on-the-job" training and to reach a larger number of beneficiaries during Part III, mobile training teams will visit the 240 enterprises and help them resolve management, agricultural and financial problems as well to provide on-site short-term two-week courses for asociación members.

The Part I program is financed by CENCAP ordinary resources and \$381,000 in ESF obligated earlier in FY 1980.

-- Part II, January, 1981 to April, 1981.

The CENCAP coordinated training effort to commence January 1981 will provide reinforcement training for Phase I trainees and during this part ISTA-MAG technician and ISTA promoters will be trained to conduct technical, administrative and organizational orientation seminars for asociación members, leaders, and administrators, also specific technical training courses will begin for members in such subject matter areas as: elementary farm management, agricultural mechanization, agricultural equipment maintenance, and the standard accounting system. Part II training will be conducted by CENCAP mobile units and ISTA promoters, entirely on hacienda enterprises over a period of two-to-three months and will work toward achieving a state of auto-gestion, or independent self-management. ISTA technicians and promoters will undergo specialized training in teaching methodology in order to support and effectively follow up this effort.

-- Part III, May, 1981 to April, 1983

Part III training is expected to last for at least two years and will focus on reaching auto-gestion. It will consist of one-to-two-week seminars held within the enterprise in which all enterprise members are expected to participate.

A special effort will be made to incorporate women into all aspects of this training. They, as well as the men, will be made aware of women's rights and responsibilities within a new socio-economic structure and specifically their enterprise. Traditionally women have been trained solely in the areas of home economics and nutrition and health. Phase III while offering women these areas, including family planning and maternal-child health, 1/ will focus on making training available in community organization, finances, management, agricultural techniques, etc. to women who will be encouraged to attend. Short-term technical assistance will reinforce the need to actively incorporate women into this training and also to plan a training program which focuses on women's special needs. Part III training will also involve a broad spectrum of basic education and will be conducted by inter-disciplinary teams of technicians drawn from the agriculture, social science and education sectors. It is presently envisioned that a mobile training approach would be used for this phase of training involving some twenty to thirty teams comprised of three to four members each.

-- The CENCAP Role

This project will help finance CENCAP reform sector activities for calendar year 1981, with procurement starting immediately. Five training centers will be refurnished and equipped (making eight in total -- three were ESF-funded) and five mobil training units will be added to the one already funded. The project will provide CENCAP with IICA-furnished technical assistance: 12 p.m. of a long-term adult education methods advisor; 3 p.m. of an Education Administration Advisor; 3 p.m. of assistance in research and evaluation; and 3 p.m. of a women in agricultural development advisor. Each mobil and each center will impart some 2,000 person-weeks of training in one year. (Assuming both operate 40 weeks a year.) A total of 26,000 person-week of training will therefore be provided by CENCAP for which the project will provide \$1,200,000 in loan funds and \$140,000 in grant financing.

(ii) ISTA On-Farm Training

-- On-Farm Training's Role

This activity is to support Phase I beneficiary training efforts of the ISTA technicians and promoters which take place in a direct manner through daily interaction.

Training obtained through courses offered through

1/ Inputs for this area will have to come from the GOES-AID population program.

CENCAP in the rural training centers and mobile units do not suffice. The process of agrarian reform entails a complete transformation not only of land ownership and development patterns of the agricultural sector, but a different set of values, attitudes, responsibilities and roles of all beneficiaries involved. The ISTA promoters and technicians will be the key elements aiding the campesinos in working out, on a day to day basis, the problems that will arise in their transformation from being colonos to being free, independent, responsible persons in charge of their lives and enterprise.

-- Community and Agrarian Development Research and Training

ISTA's Division of Community and Agrarian Development has three departments: (1) Campesino Promotion and Organizations, (2) Socio-economic Research, and (3) Technical and Administrative Training. It is this ISTA Division which has the responsibility to assess, plan and evaluate ISTA's community organization and enterprise formation role. It is supposed to backstop the ISTA field level promoters and technicians in their training efforts. At the present time, it has only eight professional personnel, and only two in the technical and administrative training area. The project will finance 23 new professionals for the Division: economists, business administrators, agronomists, as well as social workers and educators (see Annex II.C.1). The Division will be reinforced logistically and will receive 12 person-months of the services of an Agricultural Management Training Advisor, and three person-months of short-term technical assistance of a Campesino Organization Specialist, who will probably be INCAE supplied. This activity will be financed by \$350,000 of loan funds and \$120,000 of grant funds.

-- Training Materials and Supplies for Promotion and Campesino Organization

To reinforce ISTA, farm-level training, equipment such as projectors, loud speakers, and mimeographs will be financed. ISTA promoters and technicians will be able to use them as needed on the farms. Each farm also will receive a blackboard and a set of educational charts. Some 41,000 informational pamphlets will be prepared by the Division.

The Agricultural Management Training Advisor, who will be INCAE supplied, will explore the possibilities of eventually developing a management training capability in a secondary level organization of associations. This Division will manage the Hacienda leadership and Promotor Exchange and the Regional Leader Conferences, described below as well. The Accounting Information system project activity will also be managed by this Division. The project will provide \$620,000 for this activity, of which \$120,000 will be grant-financed technical assistance.

-- Hacienda Leadership and Promoter Exchange and Regional Leader Conferences

The Salvadoran reform is quite heterogenous and there is much that Salvadoran reform participants could learn from their own reform. This activity will promote one week exchange visits and quarterly regional meeting for Asociación boards members and for ISTA promoters. It is anticipated that some 1500 Asociación board members could spend one week a year on another hacienda in the region. That week they would do a diagnostic of that hacienda based on a prepared format. This the visitor would share with the receiving board of directors, his own Junta Directiva, and the ISTA regional office. Similarly, the 234 ISTA promoters would spend two weeks a year on two different haciendas. They would also prepare "diagnostics" in accordance with a prepared format. The exchange program would be a low-cost one because the "sending" hacienda would continue to pay the board member of director's and the "receiving" hacienda's board would feed him.

Four quarterly one day regional asociación leadership conferences would also be supported by this project activity. In these conferences asociación board members and management personnel would have an opportunity to discuss their mutual problems and approaches for overcoming them.

This activity, like the accounting component, and the management training activities of ISTA's Division of Communities and Agrarian Development have a hidden agenda. In addition, to attempting to strengthen the base-level asociaciones they project forward to a time when a cooperative of asociaciones could take on the responsibility for continuing to provide services that they will require. These activities will require \$100,000 of loan-funding and are further costed out in Annex II.C.1.

(ii4) Reform Administration

-- The "Tiller" Reform

Training must be provided to personnel responsible for field implementation of Land-to-the-Tiller. CENCAP will arrange for the trainer training, and the training of 14 departmental supervisors, 72 agency supervisors and 288 field workers over a month and a half period commencing in October or November. Course content will focus on skills and job knowledge relevant to the tasks of these employees. Key officials in this component will also use the project's observation training to study titling and mortgage banking systems in other countries. It is anticipated that training for trainers will involve one two-week course for 15 persons; field supervision training, four two-week courses to train 72 persons; and field worker training 11 one-week courses for 298 persons.

-- BFA Training

The BFA has made a concerted and continuing effort to improve the capability of its technical and professional staff through in-service training. Implementation of the Agrarian Reform Program is bringing about considerable change in the credit picture. Not only has it had to recruit new staff but loans to producer associations will be much more complex. A higher degree of loan analysis and supervision and better accounting and data management procedures will be required.

Considerable technical assistance is being provided to the BFA under the Agrarian Reform Credit Project (No. 519-0263) to help the bank in these areas and complementary training is desirable.

In-country training for both new BFA staff and those involved in the reform sector will be financed by \$25,000 of loan funds. Some 100 BFA personnel will receive four weeks of training each, with 25 people in each course. The training areas will include: agricultural credit planning, data processing and systems analysis, data collection and analysis, banking statistics, legal aspects of credit, loan supervisors, analysis of credits, financial operations and programming, developing banking, and the impact of the reforms on BFA procedures and operations. Specific courses and training priorities will be determined by the BFA, in consultation with the advisors provided under the Agrarian Reform Credit Project and with A.I.D. In-country training will be arranged with and carried out by CENCAP using BFA, consultant and CENCAP teachers.

-- Training and Observation Travel

1. The GOES Share of Other Donor Participant Training

Every year Salvadorans lose many training scholarships sponsored by other donors because the GOES lacks the resources for per diem and travel. By providing these, the project will average approximately 30-40 p.m. of short-term external training. Ten person-month of this activity is earmarked for the BFA, which requested it. CENCAP will manage the activity and will not use up more than ten person-months of it for itself. Participants will be limited to people working closely with the Agrarian Reform, \$50,000 in loan funds is available for this purpose.

2. Foreign Observation Training

The project will finance around 42 foreign observation trips for key officials. CENCAP, ISTA, CENVA, the mortgage bank (ex-COFINTA), the property registry, and Cadaster Officials will benefit from this travel. CENCAP will manage this project activity. The distribution of 42 trips is shown in Annex II.C.1. For \$50,000, forty-two, 10 day trips can be taken if the average airfare is \$690 and the average per diem \$50.00.

SUMMARY BUDGET -- TRAINING

	LOAN	GRANT	TOTAL
<u>1. CENCAP</u>			
Personnel	444	-0-	444
Operating Costs	343	-0-	343
Materials & Supplies	205	-0-	205
Vehicles (20)	208	-0-	208
<u>Technical Assistance</u>			
Long-term 1/12 p.m.		80	80
Short-term 3/9 p.m.		60	60
TOTAL CENCAP	1,200	140	1,340
<u>2. ISTA</u>			
<u>Community & Agrarian Development Research and Training:</u>			
Professional Personnel	205	-0-	205
Support Personnel	40	-0-	40
Operating Costs	27	-0-	27
Supplies & Equipment	30	-0-	30
Vehicles (6)	48	-0-	48
<u>Technical Assistance</u>			
Long-term 12 p.m.		100	100
Short-term 3 p.m.		20	20
SUB TOTAL	(350)	(120)	(470)
Training Materials & Supplies for Promotion and Campesino Organiz- ations	150		150
Reform. <u>Hacienda</u> Ex- change	100		100
TOTAL ISTA	600	120	720
<u>3. REFORM ADMINISTRATION</u>			
BFA Training	25	-0-	25
Decree 207 Implement- ation Training	25	-0-	25
Participant Training & Travel	50	-0-	50
TOTAL ADMIN.	100	-0-	100
<u>4. DEMOCRATIC UNIONS</u>			
Campesino Training		1,600	1,600
TRAINING TOTAL	1,800	1,860	3,760

BFA -
Ag Development Bank

2) BFA Credit Facility for Members of Campesino Unions

a) The BFA's Small Farmer Credit Delivery System and the "Tiller" Reform

The BFA has done a creditable job of getting credit to small farmers. In 1979 its small farmer loans benefitted some 55,000 people, with the average amount lent per beneficiary being \$1515. This coverage was accomplished in large part by the use of group lending, through which BFA credit resources reached almost 30,000 beneficiaries. The BFA's group clients include pre-cooperatives, joint liability groups and pre-Decree 153 agrarian reform groups.^{1/}

In general, the BFA experience has been excellent but there have been one or two serious problems. One of these has been the tendency of groups to wait until credit is needed to make a loan application. Because low interest crop production loans are Central Bank funds discounted through the BFA (or other banks) the time lag from application to approval is sometimes thirty days. Another constraint has resulted from the fact that most small farmers market their grains through the price stabilization agency (IRA). The IRA under an agreement with BFA, deducts the loan due and pays the producer the balance. The problem arises when the producer applies for another loan to put in a second crop and finds that the IRA has not cleared its books with the BFA and bank policy will not permit another loan on that until the first is paid. The campesino union credit lines to be established by this activity are designed to fill these gaps and similar ones and to overcome as well, the problem of BFA's under-financing of farmer's needs (at least for union affiliated groups).

Despite BFA's relative success with small farmer lending, it does not have the institutional capacity, not to speak of the resources, to service the credit needs of some 160,000 Decree 207 beneficiaries. It is still not even altogether clear what these needs are. "Tillers" do not use much institutional or even informal credit, yet a considerable number of them use fertilizer and improved seed. ^{2/} It is thought that "tillers" finance their plantings by savings (cash and seed), by future sale of crops, and (predominantly) by their off-plot income. To the degree that the latter is prevalent, because of higher rural unemployment than normal, their financing needs may have increased.

b) The Use of Campesino Unions for Credit Outreach

The Mission believes it is premature to develop a credit project for small farmers to be benefitted under Decree 207 until more is known about the beneficiary group and its needs, and until the IDB loan to the BFA is resolved. Further, it is uncertain whether and to what extent there should be a credit project especially for this beneficiary group as opposed to increased support for programs for small farmers generally, of which the "tiller" agrarian

^{1/} For more detail, see ANNEX II.B.2 of the Agrarian Reform Credit PP.

^{2/} A recent sample survey of 1358 Oriente Precaristas, 97% of whom qualify as "tillers", indicates that only 9% had any credit at all (5.8% had institutional credit). Some 14.7% of them used fertilizer and 11.9% improved seed.

reform beneficiaries would of course form a major group.

This project activity, however, will test a credit mechanism that could in the future result in wider coverage of the "tiller" beneficiaries. The BFA has had nearly five years experience with lending short-term production credit for food crops to cooperatives and informally organized groups. Many of the informal groups were organized by extension agents. Extension agents are now being assigned to implement Decree 207. This activity will test whether or not the campesino promoters of the existing democratic campesino unions can fill this role. There are some precedents: BFA has used trained campesinos to supervise credit in remote areas, for example: Nicaragua's INVIERNO also uses campesino promoters; and Honduras' Banco de Fomento has utilized ANACH, a campesino union.

Because this new credit facility will offer many advantages to campesinos, it is anticipated that this project activity will, together with other services offered by the campesino unions, encourage campesinos to organize themselves into groups which in turn, will join one of the various unions. Should this experiment work, a new credit mechanism will have developed -- one that simplifies the institutional problem of reaching with credit such a numerous group as Decree 207 beneficiaries.

c) Beneficiaries and Uses of Group Credit

The beneficiaries under this activity will include small farmer groups legally organized as cooperatives or associations, pre-cooperatives and informally organized groups which are members of: (1) Las Asociaciones Cooperativas de Producción Agropecuaria Integradas (ACOPAI), the Asociación Nacional de Indígenas Salvadoreños (ANIS), the Union Comunal Salvadoreña (UCS), the Central de Trabajadores Salvadoreños (CTS) and its affiliates, including Central de Campesinos Salvadoreños (CCS), and the Asociación Comunal de El Salvador (ACOES). Other democratic campesino groups could also qualify for the use of the fund if the fund's campesino Advisory Council (discussed below), the BFA, and AID concur. The exact memberships of these groups is difficult to ascertain, the Mission does have estimates for at least some of the groups which were confirmed in talking to others:

ACOES	3,000
ACOPAI	12-20,000
ANIS	3,000
CTS-CCS-etc.	5-7,000
UCS	60,000

If these figures are to be believed, the total membership of these unions is around 90,000 ^{1/}. Unfortunately, to be an eligible recipient for this credit facility one must be dues-paying to one of the unions' affiliates. This restriction would probably lower the above estimates to around 40,000 (30,000 UCS; 5,000 ACOPAI, 5,000 others), a not inconsiderable number of campesinos.

^{1/} These are not dues-paying members but people who "feel" that they belong to one group or another. There may also be double-counting because more than one union may claim the same affiliate.

Although these unions are different in orientation, all have as their basic rallying point access to land. ACOPAI and ANIS are UCS splinter groups and all three have their origins in AIFLD-sponsored leadership training courses. ANIS is a union which although it shares the aspirations of other unions, stresses the importance of indigenous customs, values and language. The CIS and its affiliates have a Christian Democratic orientation, and ACOES was organized by priests. All the unions share one important characteristic, in them "tillers" and the totally landless predominate. With the exception of ACOPAI, none claims to have significant following on Phase I haciendas (ACOPAI claims to have members on 34 Junta Directivas, a result of them being chosen even though they were not colonos). These unions are well represented in the pre-March reform haciendas and in pre-March private sub-divisions. Their tactics seemed to be, in order of sequence: (1) secure access to land in any way, (2) increase and improve tenure rights once having access, and (3) facilitate, broker, and pressure services, public or private for their landed member. For further details on these groups the reader is referred to ANNEX II.E.

d) Credit Procedures

This activity will provide the funds to establish two lines of credit in the BFA which will be available for lending only to agricultural cooperatives, associations, pre-cooperatives and informally organized groups which are members of democratic campesino unions.

One of these lines, line A, will provide automatic short-term production credit advances to member groups recommended by the unions, which apply for production credit from BFA regular sources but which need immediate financing to proceed with planting. This line will operate on the basis of "source of last resort", and the unions would guarantee the loans. 1/ Interest rates will be high, about 15% per annum, the normal rate allowed by the Junta Monetaria for advances, and the maximum term will be 30 to 60 days - should the credit be approved from regular sources. If and when the regular credit is approved, the short-term note will be automatically refinanced and its principal and interest deducted from the regular credit. The balance of the regular credit being issued to the group. The issuance of credit advances will increase the paperwork and in some cases, the risk, so it must be somewhat more expensive. However, advances are expected to be for only 20 to 25 per cent of the credit need and most will be for only a maximum of 60 days so the benefit will far exceed the added cost.

1/ This guarantee because of its nature would require that the respective union assure itself that the loans meet Central Bank and BFA criteria for refinancing. A union-guaranteed loan that did not meet BFA or Central Bank criteria for rediscounting would continue to be financed with the line's resources and would continue to pay 15% interest. Were such a loan to prove uncollectable, its balance would be deductible from the amount from its collection commission on other, collected loans.

The second line under this activity, Line B, will be for medium-term credit for permanent crops, agricultural equipment, livestock, etc. and for farm level agro-industry and cottage industry.

The BFA, utilizing its past experience in group lending, will develop the specific lending procedures and mechanisms for both of the lines under this element. The mechanism and procedures will be a condition precedent to disbursement for this activity and will be based on the following:

(1) The instructivo establishing the line of credit and the procedures for lending will be given wide publicity among small farmer groups with copies provided to ISTA, MAG agencies dealing directly with small farmers and the campesino unions. (UCS, ACOPAI, ANIS, CCS, etc.).

(2) The BFA will advise and assist the unions in the orientation and training of the federation's personnel which will be assisting farmer groups to obtain credit under this element. Approximately sixty union promoters are expected to receive credit training during the 18 months implementation period. Training costs (estimated at \$8,000) will be shared by the UCS.

(3) The BFA may pay or reimburse union personnel or the unions themselves that assist in the lending process. It is anticipated that an arrangement will be established by the bank whereby the bank will pay a fee for each completed loan application, each supervisory visit, etc. if carried out by union personnel. They must actively assist the BFA to recuperate loans made to their members. In return, unions will receive a fee equivalent to five points of the interest paid in any loan payment made. 1/

(4) Medium-term credit under this activity may be calculated to provide for the total financial need for the purpose for which the loan is made in order to assure effective use of the credit.

(5) No individual owning or working more than seven hectares will receive credit from either line of credit. Group loans could not exceed financing requirements for seven hectares times the number of members in the group.

(6) For short-term crop credit the line would finance the credit needs of groups or group members for up to the maximum amount permitted by Central Bank rediscount policy, including the payment of family and hired labor but excluding any management or similar costs allowed by the Central Bank. However, in no case should short-term loans made through groups exceed \$3,000 to any individual.

(7) Medium-term loans would not exceed \$5,000 per member or \$100,000 in total.

1/ The unions will receive 10 points of the interest generated during the period of short-term advances after the discounted production credit loan has been collected.

(8) The staff and the authority for the loan approval process for loans under this line should be at the BFA agency level (except for loans that exceed the approval authority of the agency). Sufficient credit agents, agronomos, credit supervisors, etc., should be available and with adequate authority to reduce to a minimum the time from loan application to loan approval (which in the case of a union guaranteed last resort advance would be automatic). It is anticipated that competent assistance from the various unions in obtaining complete and accurate loan applications and in obtaining timely repayments can significantly speed the lending process and contribute to the effectiveness of small farmer credit.

In the preparation of this project paper the USAID considered the feasibility of establishing a line of credit in the BFA for each of the major unions from which they could make loans to their respective member groups. This was not considered feasible because most of the unions can not adequately guarantee repayment by their member groups; none of the unions yet have adequate, trained staff to carry out a credit program; only one has had any credit experience (and that quite limited and with mixed results). In addition, the BFA expressed concern about the idea of creating, in effect, two to four additional agricultural credit institutions and introducing them into an already difficult rural credit situation.

e) The Campesino Advisory Council

In order to assure that the campesino viewpoint be represented, the BFA will create a Campesino Advisory Council for the fund composed of one representative named by each union. This council which would meet regularly, will advise the BFA on credit policy and procedures for this facility, will bring to high-level BFA attention problems that they are aware of in the field, and will advise the BFA on admitting new unions to the facility and on suspension of unions not living up to their responsibilities under the facility.

f) Interest Rates

The interest rates for loans made under this group credit facility will be set by the GOES but will not be less than 13% per year. It is anticipated that loans for credit advances under Line A will have an interest of about 15% per year, in accordance with current policy. In addition to the interest, a technical assistance fee of one per cent may be charged when the BFA deems it to be appropriate.

The allocation of interest to reserves for bad debts, to cover the bank's lending costs, to reimburse the federations for their assistance with recuperations, etc., will be subject to prior AID approval. The BFA will include in lending costs the anticipated cost of the fees that will be paid to union promoters or unions for assisting with loan applications or supervision. Five points of the interest collected in each loan payment made when due will be allocated to the "parent" union of the borrower in return for its continuing assistance with timely recuperation of loans made under the facility. The BFA will receive five points of the spread to defray its operating costs, the balance being for bad debt reserves and capitalization of the fund.

g) Technical Assistance and Training

There is no need for additional technical assistance for the successful implementation of this activity. The technical assistance provided under the Agrarian Reform Credit Project (No. 519-0263) is designed to meet the requirements of the BFA with respect to bank management and administration, credit management and supervision, accounting and data management. This will cover any assistance needs for this project as well. Training of union promoters will be provided by the BFA and CENCAP with the participant costs (per diem, etc.) defrayed by the UCS. Four courses of two weeks each will be required for sixty union promoters.

h) Term of Activity

The BFA will maintain the integrity of this facility for a minimum of seven years from the date of the signing of the agreement. Upon its termination, its assets will accrue to the capital of the BFA.

i) Credit Demand Analysis

An analysis of supply and demand for agricultural credit is attached as ANNEX II.C.5. That analysis indicates that given the shortage of credit in El Salvador and its non-market rationing that the demand for loans from this facility will exceed by far its initial \$2,000,000 capitalization by AID. Most of this capitalization will come in the form of an AID Development Loan. Nonetheless, in order to begin this experimental credit program for campesino unions and to provide essential bridge financing, \$250,000 of grant funds will be provided for this program.

3) Increment to Special Cooperative Line of Credit

a) Credit Demand

The total amount of agricultural credit required for the Special Line of Credit for Cooperative Associations for the 1980-81 crop year is \$26.6 million according to the credit demand analysis in the Project Paper for Agrarian Reform Credit (Project No. 519-0263). A small amount of this has been met through interim financing by the GOES and \$13.0 million will be met by loan and counterpart funds provided under that project. Those counterpart funds have already begun to move to meet the urgent demand for credit from the cooperative associations organized on the haciendas expropriated under Phase I of the agrarian reform program.

Credit demand by the producer associations will be in excess of present credit availability including the project funds mentioned above. This project will provide \$4.0 million of additional credit to meet the anticipated demand for the 1980-81 crop year. The funds will go to the Agricultural Development Bank (BFA) for addition to the Cooperative Association Special Line of Credit fund. \$3.0 million of this amount will come from AID and \$1.0 million will be a GOES counterpart contribution.

b) Credit Procedures and Interest Rates

The funds added to the Special Line of Credit by this project will be governed by the same lending rules and procedures as those stipulated for loan funds under AID Project No. 519-0263, Agrarian Reform Credit Project.

c) Technical Assistance

The technical assistance element under the Agrarian Reform Credit Project was designed to provide for all of the requirements relative to the Special Line of Credit for Cooperative Associations so no additional TA is needed.

d) Training

Implementation of the agrarian reform has brought about considerable change in the BFA. It has made the BFA's work more complex and the BFA has had to add more agents. In order to help the BFA deal with these changes, the project will provide resources under its training component to help upgrade the BFA's staff.

4) Accounting/Information System

a) Current Situation

The maintenance of adequate records and accounts to serve as effective management tools and to permit the preparation of statements of financial condition and of profit and loss, is critical to the successful development of the producer associations being organized under Phase I of the Agrarian Reform Program. The associations organized to date are, or have the potential to become, large, complex businesses. Without accounting and management information it will be difficult to make periodic reviews and analyses of the state of the enterprise, to make sound management decisions, to determine credit and capital requirements, protect membership against misappropriation of funds and to provide members with adequate financial accounting.

Most of the 238 large haciendas expropriated under Phase I of the reform have at least some staff personnel capable of maintaining books of original entry and some have a more extensive accounting capability. In most cases, however, the accounting system of the former owner could not be, or was not brought over to the campesino associations. Although the Agrarian Reform Program is now five months old there are at this time no known cases of producer associations with current financial statements. Further, the development of adequate accounting capability for the many associations to be formed on the smaller Phase II estates, although equally important, will probably be more difficult because most will have no resident accounting staff.

Experience with land reform and cooperative organizations in other countries demonstrates that, unless the problem of accounting is attacked seriously and systematically, there will be no useful accounting. A patchwork approach of designing systems under various auspices, none of which have a clear concept of needs or the power to implement; of placing major reliance on accounting courses for campesino officers such as treasurers (whose terms of office are one year); of establishing an auditing program that is inoperable because there are no decent books or records to audit; and of generally exhorting the campesino groups on the importance of accounting, generally has not achieved substantial results.

The achievement of good accounting for campesino enterprises is not insoluble. Credit union and other cooperative movements in Latin America sponsored by organizations committed to good accounting have it. Those established without any clear, systematic and well organized accounting plan do not. Indeed, the types of cooperative associations being organized under the agrarian reform program in El Salvador lend themselves to a very practical system of standardized accounting. Each of the 238 associations being organized under Phase I as well as those that are expected to be developed under Phase II will be engaged in similar activities (agricultural production and marketing) for which standardized accounting forms and procedures can be designed or existing ones adopted.

b) Activity Description

The salvadoran Institute of Agrarian Transformation (ISTA) has been designated as the institution responsible for the development of an effective management information system. Over time, this will develop as a multi-purpose system which will rationalize accounting information, data gathering, and processing into a product usable by government agencies, credit institutions and by association management for evaluation and decision making purposes.

The paramount purpose of this activity is to provide a sound accounting and information base to improve management capability at the enterprise level. The system, therefore, in addition to dealing with financial data, must include crop and livestock production figures, yields, inventory information, depreciation schedules and other data necessary and useful to management. As long-term farm plans are developed for each of the associations, field survey and other data collected as a part of the initial planning exercise should be added to the computer file for each enterprise and up-dated as the situations change.

It should be emphasized that this activity is not intended to initiate or establish a centralized system of accounting. The system should function in a manner very similar to a private accounting and management service where various farms or businesses provide a predetermined, often standardized set of data (e.g., itemized sales, itemized expenditures, money borrowed, other income, yields, production, etc.) to the accounting firm. The firm keeps a set of accounts for the enterprise and provides the enterprise with agreed-upon services (periodic balance sheets, profit and loss statements, inventory control data, etc.) for a fee. It must be remembered that the information that will result from analysis of the data available will be most useful to the management of the producer association, i.e., the manager and the board of directors of each association. During the joint management (co-gestion) period during which ISTA shares management responsibility, ISTA technicians on the farm will also be management users.

The project will help ISTA establish one central and three regional accounting and information offices to provide the services described under this activity to the phase I associations. Although the services will be subsidized during the first year or so, until useful information products are developed, a schedule of fees and charges will be developed to make the service self-financing. From the beginning, the self-financing character of the system will be stressed, as will be the intention to eventually turn the operation of this system over to a secondary level cooperative of the producer associations.

During the co-gestion period, the use of the system will be mandatory on all Phase I farms. The ability to properly maintain the system's accounting records will be a key factor in determining a group readiness for self-management (auto-gestion). The requirement that the system be maintained as a condition for continued auto-gestion, as well as, the useful information it will produce will assure its continuation.

The specific objectives of the project activity are:

(1) To design a standardized accounting and information system for campesino producer associations that will:

(a) Meet the operational needs of the association (enterprise) for financial analysis and basic management decision making;

(b) Meet the requirements of credit institutions for financial data necessary to pass on loan applications and to supervise credit;

(c) Meet the needs of ISTA for statistical data on the economic condition and operating results of the associations individually, in the aggregate and by analytically useful sub-groups; and

(d) Provide sufficient financial information on each enterprise to facilitate external auditing by avoiding the necessity for auditors to deal with a wide variety of accounting systems.

(2) To implement the system in each producer association.

(3) To provide support for at least one year to the entire system and to insure adequate training of personnel and solution of operating problems.

c) Technical Requirements

This activity will require the short-term services of three highly skilled technicians for approximately three months each as follows:

(1) A Financial Analyst to work with the system design team. He will become familiar with the accounting systems presently in use on the association farms and with the accounting and financial data requirements of ISTA and the credit institutions servicing the associations. He will advise and assist in the design of the forms, the procedures and the system so as to meet the accounting and management information requirements of the associations and the data, accounting and auditing requirements of ISTA and the credit institutions.

(2) A Computer Programmer/Systems Analyst to serve as a member of the system design team. He will familiarize himself with the data processing and computer capability of ISTA and the BFA as well as the data information requirements of each with respect to the associations. He will also become familiar with the accounting and management information needs of the cooperative associations. He will determine the availability, in both the public and private sectors, of computer and data processing equipment, unused capacity and costs. He will advise and assist the team in the design of the forms, the procedures and the system for the purposes mentioned above. He will also have

the responsibility to make recommendations, vis-a-vis, the available farm accounting software which might easily be adapted to the system's needs.

(3) A Systems Designer to serve as leader of the system design team. He will become familiar with the policy structure of ISTA, BFA and other entities that may influence the accounting and information system. He will coordinate and supplement the efforts of the other team members and will have principal responsibility for the design of the system. He will also on the basis of a careful analysis of systems options have to recommend to ISTA and AID the optimum method of procuring computer services for the system. Among the options he will have to consider:

- (a) Rental of time on a facility with manual exchange of information.
- (b) Terminals in the regional offices tied to central facilities;
- (c) Mini-computers in all regions. (the costed option).
- (d) A networked system of mini-computers.

The choice of system will depend on the types of software packages available and which will in turn determine central and regional staffing needs.

The Systems Designer and the Computer Programmer should be available to serve as long-term advisors to this activity to initiate the service and provide technical support for one year to assure successful implementation.

Three regional offices will have the following Salvadoran staff:

- 1 Section Chief (Systems Analyst)
- 3 Three Accountants (CPA equivalent)
- 1 Secretary
- 1 Data Entry
- 1 Driver/Messenger

The central office, which will also serve as a regional office for its area, will have the following Salvadoran staff:

- 1 System Chief (CPA, Systems Analyst)
- 2 Computer Programmers/Systems Analysts
- 3 Accountants
- 1 Agriculturalist or Agricultural Economist with Computer experience
- 2 Secretaries
- 1 Data Entry
- 2 Drivers/Messengers.

This staff level is based on the assumption that in the first year of full operation services will be provided only to the 239 cooperative associations under Phase I. The number of accountants recommended assumes that each accountant will need about one day per month per association to provide the kind of services visualized. All four offices will be provided with computer services and a vehicle. The recurring costs of the system (calculated from the budget) are \$300,000 per annum, or \$1255 per hacienda. To the extent that more users (phase II and reserve owners) avail themselves of the system costs per hacienda will drop significantly. Use of the system may also result in the freeing up of some hacienda bookkeepers which would result in substantial cost savings.

d) Implementation Plan

Because ISTA has the responsibility for the establishment of the producer associations, ISTA has been designated as the entity responsible for the implementation of this activity. The short-term advisory team should be identified and begin work as soon as possible (o/a November 1, 1980). Immediately following team orientation ISTA should begin the selection of the section chiefs, computer programmers, and accountants so that they become involved in and assist with the development of the system. ISTA will also arrange, during the design period, for a regional office for this activity in each of the four regions. The personnel assigned to each office should be resident in (or become resident in) the town where the office is to be located.

It is expected that the system will be designed and ready for implementation by approximately March 1, 1981. At that time, the accountants from the four regional offices will begin to train, individually and in groups, the staff accountants and record-keeping personnel of the various associations.^{1/} At the same time, the computer programmers and the section chiefs will meet with farm management personnel and ISTA and BFA staff interested in this activity to orient or train them with respect to the flexibility and potential of the system for farm management purposes, for financial planning and analysis and for audit purposes. The system for the 50 largest farms should be in operation by May 1, 1981. All should have service by January of 1981. In the implementation of this activity the personnel will coordinate closely with OSPA (Planning & Evaluation and the Phase I Beneficiary Broadening Activities described below), with the technical assistance being provided to the BFA, and with CENCAP trainers.

At present it is planned that ISTA would negotiate a contract with INCAE for the installation of the system. INCAE would be responsible for all procurement except personal services and would provide all technical assistance required by the system.

e) Financing & Summary Budget

The project will subsidize operating costs of the system for approximately a twelve month period beginning o/a March of 1981. Even during that period the haciendas and ISTA will be expected to defray part

^{1/} Because this training will be sponsored by CENCAP, its cost are included in that component.

of the costs of the system as it starts supplying information. Revenues of the system will be put in trust by ISTA as the system's capital. When an association cooperative is founded, those resources would be transferred to it as a capitalization grant in order to supply the system's working capital.

SUMMARY BUDGET FOR ACCOUNTING/INFO SYSTEM

(U.S. \$000)

<u>Local Costs (one year)</u>	<u>Loan</u>	<u>Grant</u>	<u>Total</u>
Personnel (Central)	55	-	55
Personnel (Regional)	105	-	105
Rents	25	-	25
Vehicle rent, 4 x \$4,800	20	-	20
Software	20	-	20
Computer Services (3 yrs)	150	-	150
Printed Materials + Others	25	-	25
	<hr/> 400	<hr/> -	<hr/> 400
 <u>Short-Term T.A.</u>			
Financial Analyst (3 PM)	-	10	10
Computer Programmer (3 PM)	-	10	10
System Designer (3 PM)	-	10	10
In-Country Support	-	20	20
 <u>Long-Term T.A.</u>			
Computer Programmer (12 PM)	-	100	100
Systems Designer	-	100	100
	<hr/> 400	<hr/> 250	<hr/> 650

b. Reform Administration (COMPONENT II)

1) Beneficiary Broadening

a) The Current Employment Situation

Because many of El Salvador's rural poor are not beneficiaries of the agrarian reform, especially temporary wage workers, and because in other cases the expropriated haciendas can not provide sufficient employment for all its inhabitants, this activity will lay the basis for Salvadoran efforts to increase permanent employment opportunities either on haciendas which are underutilized or on haciendas which have a surplus labor situation. In the former case, this could involve the settlement of more campesinos on the expropriated haciendas, and in the latter case it might involve the establishment of new employment-intensive agricultural, industrial, or service activities on them. The timing of the Phase I takeovers aggravated the problem of few beneficiaries on some farms because the intervention process took place during a period of low labor demand 1/, and because in many cases temporary workers do not live on the haciendas. The result was that in some takeovers at the time of intervention only the management and permanent workers (e.g. tractor drivers, mechanics, bookkeepers, etc.) were on the farms 2/. Although ISTA technicians were supposed to carry out "campesino carrying capacity" studies and bring in permanent workers not living on the large farms, they were also under orders to keep disruption of normal activities to a minimum. The net result in many cases was that the already relatively privileged few were incorporated in the associations and the hacienda's "poor majority" of workers were left wondering when the reform would encompass them 3/. Now, of course, the members of the new associations have no particular incentive to take in more members.

Clearly, the hacienda employment and land-use problems must be examined and studied on a case-by-case basis. If the "campesino carrying capacity" should be increased, then this must be done as soon as possible and prior to any attempts to enter into "auto-gestion".

This activity is designed then to lay the basis for "beneficiary broadening". It will also be key for future farm development planning by beneficiaries and reform farm managers and will be useful for credit and extension efforts, as well.

1/ On most coffee farms, pruning and shade trimming had ended and first fertilization had not yet begun. In cotton, almost all cotton had been picked and land preparation had not yet begun.

2/ An extreme case reported to AID officials is that of a 600 hectare coffee farm on which the campesino association has only 15 families.

3/ Many of these people are also "Land-to-the-Tiller" beneficiaries. It must be stressed that unless the larger farms operate well (even without "beneficiary broadening"), these workers may find themselves without the employment which provides the bulk of their incomes.

b) Activity Description

U.S. assistance to this activity will be administered through the agricultural sector planning office, OSPA, and is designed to:

- (1) Establish land area, fixed assets, supplies and equipment to be included in the right of reserve for the former land owner.
- (2) Determine most appropriate land use pattern for each farm. Existing cadaster and soils information will be utilized as well as OAS studies on land use. National priorities concerning the production of traditional export crops as well as internal food crops will be given some consideration in developing cropping patterns, but profitability and labor absorption will be the overriding considerations. Possibilities for increasing labor demand through crop diversification and irrigation will also be explored. Emphasis will be given to planting permanent crops such as fruits, nuts, fibers or coffee on steep lands unsuited for annual crops.
- (3) Determine the advisability of implementing the farmer's associations desires concerning the establishment of individual plots as opposed to communal farming for a portion or all of each farm.
- (4) Explore potential for establishment of additional agro-industry to increase labor demand and identify opportunities for further feasibility studies and development.
- (5) Develop time phased plan outline for increased level of effort and added production potential for each farm for a five-year period, based upon the above findings, to serve as the basis for individual farm plans.
- (6) Determine market outlets for major crops on each farm, identify constraints and give proposed outlets for new crops or enterprises being recommended.
- (7) Identify agricultural input requirements, i. e., machinery, equipment, seed, pesticides, fertilizer, etc., and determine their availability in the area.
- (8) Identify high priority fixed plant requirements such as tools and equipment sheds, farm storage, office space, etc.
- (9) Utilize to the extent possible the experience and skills in the farmer's associations and assess the existing management's capability.
- (10) Estimate annual gross income and prospective net income for a five-year period.
- (11) Based upon all of the above, determine beneficiary carrying capacity.

The required information for rational planning and policy decisions, as outlined above will be developed and analyzed by four field teams, one in each agricultural region, with a data processing and analytical group located in MAG-OSPA. These technicians will be assisted by well qualified foreign technicians on a periodic basis. The work will be carried out in two stages. The first will consist of a quick reconnaissance study designed to provide answers to urgent problems before the beginning of the 1981 rainy season. The second stage will continue to utilize the technical staff for an in-depth study and analysis of the same farms, seeking firm data on the more elusive problems for more rational long-range planning.

Elements of the data required in the reconnaissance stage (stage one) have been developed or partially developed by ISTA, MAG, BFA, Agrarian Unions such as UCS and existing farm management working with beneficiary groups. The reconnaissance teams will verify the accuracy and soundness of these data, and utilize as much of these data as seems prudent in order to hasten the completion of stage one. Stage one which will last approximately six months, will determine the following for policy

formulation and implementation: (1) The owners Right of Reserve will have been established by ISTA field teams within policy guidelines. Joint venture possibilities for related agro-industry between farmers and previous owner will be explored. Existing management will be evaluated and recommendations made to policy makers. (2) Initial land use patterns will be established. A minimum of new crops or enterprises will be recommended for 1981. (3) Within policy guidelines the desires of the farmers associations will be taken into account in determining whether all or a portion of a farm should be divided into individual plots or farmed as a collective. In arriving at recommendations the field team will take into account; that coffee and fruit trees are being successfully grown by small producers in many countries; that there are few evidences of successful small farmer cotton production in the world; and that small farmer sugar cane production offers the likelihood of higher production of cane per unit area plus intercropping potential with beans. (4) The initial reconnaissance teams will not have time for an in-depth study of agroindustrial opportunities. They will, however, make recommendations concerning key agroindustries urgently needed to make for orderly production and marketing of the major agricultural commodities currently being produced. (5) The initial five year plan developed will be tentative and subject to in-depth development in stage two. (6) Usual market outlets will be identified. Critical market constraints will be evaluated and recommendations made for immediate policy level attention. This important topic will receive more detailed attention in stage two. (7) Agricultural inputs and urgent farm equipment requirements will be translated into short and medium term credit requirements. (8) Only the most urgent of the fixed plant requirements will be recommended for long term credit by the reconnaissance teams. In stage two more thorough recommendations will be made. (9) In working with farmers associations and existing farm management every effort will be made to develop the farm management criteria and establish needs by working with them rather than for them. Where management is incompatible with the farmer's associations, efforts will be made to alleviate problems by relocating former management personnel among the farms. (10) The above listed information when obtained will be the basis for the reconnaissance estimation of annual and net income and form the basis for determining credit requirements. These figures plus "in kind" benefits such as fuel, fruits, vegetables, corn, small animals, etc., will establish the basis for rational determination of Hacienda Carrying Capacity.

Stage one will require from four to six months to complete. This means that the teams must be located, hired and trained at the hacienda level as soon as possible after project signing. Stage one will lead directly into stage two, which will confirm earlier reconnaissance. It is estimated that stage two will require up to twelve months for successful completion.

c) Technical Requirements

Funding will be provided under this activity for the recruitment, organization, on the job training and continued support for an eighteen month period of time for the below listed technical and support personnel. (1) Four teams, one for each of the country's agricultural regions:

- 1 Agricultural Economist - Farm Management
- 1 Agronomist
- 1 Livestock Specialist
- 1 ISTA technician
- 1 BFA technician

The economist, agronomist and livestock technicians, will be assigned, hired or contracted by OSPA. The BFA and ISTA technicians will be assigned to the individual teams at the field level for the duration of this activity by their respective organizations. For the technical qualification requirements of these technicians see ANNEX II.c.2. (2) One technical group will be assigned, hired or contracted to form a new section in OSPA for managing and servicing the four field teams. This group will process data and formulate recommendations for policy decision and implementation. The group will consist of six technical people plus administrative personnel such as secretaries, etc. one of the group will be activity leader. In addition to data processing and policy action formulation duties the four technicians will serve as logistic and technical backstops one for each of the field teams. See ANNEX II. c. 2. for technical qualification requirements. (3) The four teams and the technical group located in OSPA will receive expatriate technical assistance furnished by Technoserve Inc., a PVO.^{1/} which will receive an OPG funded under this activity. Short term services of the below listed technical specialties are required for a total of three trips each during the implementation of this activity plus one trip for the final evaluation.

- Agricultural Economist - Organization and Management
- Agricultural Economist - Farm Management
- Agronomist - Tropical Crops and Soils
- Livestock Specialist

The organization and management specialist will be the team leader, stationed with OSPA in the Ministry of Agriculture. The economist, agronomist and livestock specialist will work directly with each of the four field teams under the guidance of the team leader. See ANNEX II. c. 2 for technical qualification requirements of this team.

^{1/} Technoserve is a U.S.-based PVO which has considerable experience in the area of agricultural management. A majority of its employees are Latin Americans (or of L.A. descent). It has one of its four regional offices here in El Salvador. We have discussed Technoserve's possible participation in this project with their representative here. He was enthusiastic about it and assured us they could be a high quality team.

d) Implementation Plan

Results from the reconnaissance phase of this activity must be processed and made available to planners and policy makers well in advance of the onset of the 1981 crop season which is generally in May. Although partial results will be available as they are processed, there is considerable urgency in initiating the activity as soon as possible. For planning purposes, November 1, 1980 will be the target date for initiating the activity.^{1/}

The Technoserve technical assistance team leader will enter on duty in El Salvador on/or about November 1. OSPA will already have selected his counterpart, the activity leader. Working together, these two leaders will: (1) Review job descriptions previously prepared by OSPA and initiate recruitment or contracting of the four teams as well as the OSPA based technical staff including the required support personnel. (2) Review the eleven principal tasks as outlined for this activity and (a) Determine if this list should be further expanded, modified or clarified, and (b) Clear any suggested changes with MAG and USAID. Prepare and have duplicated required forms and questionnaires for field use. (c) Prepare necessary documentation and place orders for activity equipment.

The balance of the Technoserve team, i.e., the economist, the agronomist, and the livestock specialist will be called forward about November 15. Local staff and field teams will be in place, therefore training can begin after a three day orientation period of conferences and background reading for the foreign technicians. Training will preferably take place at a nearby hacienda to be selected by OSPA. By December 1 the major group training will have been completed and the teams assigned to their respective regions. During the first two weeks of December the foreign field technicians will work with the different teams at the field level in order to help to bring about a compatibility of data from the four regions. The management economist will continue on the job training of the OSPA based technical staff in processing and evaluating information as well as backstopping the field teams.

On or about December 15, the foreign technicians will depart. The same group will return in early February to assist with problems that have developed and to assure the continued compatibility of results being obtained. A third three week trip will be made in April in order to help wind up phase one and initiate phase two of the activity. One final three week trip will be made in May or June of 1981 in order to evaluate the completed activity.

e) Summary Budget -- Beneficiary Broadening

The total cost of this activity will be \$675,000.00 distributed as follows :

^{1/} Should there be slippage in initiating this activity, the same sequence of event will be adhered to.

PERSONNEL	LOAN	GRANT
Contract Technicians (468 P.M.)	419.9	
Administrative Personnel (90 P.M.)	23.0	
Machinery and Equipment	96.0	
Office Supplies	26.1	
Technical Assistance (Technoserve OPG)		110.0
T O T A L	<u>565.0</u>	<u>110.0</u>

For detailed budget breakdown see ANNEX II.C.2.

2. Implementation of Decree 207

a. The Need for Rapid Implementation

Three months have passed since Decree 207, the so-called Land-to-the-Tiller Reform, was announced.^{1/} Little planning or preparation for its implementation was done during that period, although much ingenuity went into trying to undo it or attempting to restrict its scope. The JRG has now given instructions to MAG to proceed at once with full implementation of the reform; apparently, the only change is that an overburdened ISTA will not be the implementing agency. In a July 15th meeting with officials of MAG, the Ministry of Planning and ISTA, a presentation was made to Mission personnel regarding the broad outlines of the implementation program as now envisioned, and material and technical assistance were solicited. Although much detailed planning remains to be done, a general framework has been established. If progress in implementation could be made prior to the next agricultural year (April 1981) to clearly identify lands and people who are affected by the reform and establish basic rights and responsibilities, then Decree 207-related violence and conflict could be minimized.^{2/} This will require some form of provisional titling and a system for collecting land payments and compensating ex-land owners. Given the large numbers of potential beneficiaries of Decree 207, and the desirability of meeting this timetable, broad support has been programmed for this activity.

Much remains to be done in the way of detailed operational planning, development of implementing regulations and procedures, and in reinforcing institutional capacity prior to the initiation of actual field work. The design of this component reflects the current state of affairs. Significant amounts of technical assistance, especially short term are programmed up front to assist implementing institutions to work out these plans and procedures. This is followed up with broad institutional support. Although the type and magnitude of resources identified in this component are believed appropriate, their actual development and utilization may vary considerably in the course of project implementation due to the preliminary state of GOES implementation planning to date. The design of this component reflects the Mission's best judgement regarding how the GOES will go about this process. Refinements will no doubt be necessary in the course of implementation. Implementation arrangements are discussed below in the component description and in Section V.

b. Guiding Principles to the Implementation of Decree 207

It is expected that the design of the operational plan and procedures for the implementation of the Land-to-the-Tiller reform will be guided by the following basic principles:

^{1/} Decree 207 was proclaimed on April 28, 1980.

^{2/} MAG estimates that Decree 207 may benefit some 160,000 families and affect about 200,000 hectares.

1) Decentralization

The basis of implementing the reform is matching "tillers" with land in accordance with the provisions of the law. This relationship must be determined by consulting those who are knowledgeable regarding local land ownership and rental arrangements. Invariably, this reservoir of knowledge resides only at the local level. In the field the "indirectly exploited" lands must be determined and their expropriation formalized. Affected lands must be identified, areas presently being rented specified, and their boundaries determined and mapped, ownership and tenurial data collected, and all information verified by disinterested local parties. ^{1/} This procedure will minimize disputes and errors.

2) Definition of Reform's Effect

Rapid and unambiguous definition of who is affected by the reform and how, is essential to minimizing security problems, reducing political opposition, insuring beneficiary rights and maintaining agricultural production. A publicity campaign to communicate this information to the public is an important activity.

3) "Once up - Once down" Titling Procedure

To save time and resources (financial and human) the system of land titling and registration should be designed to permit a single flow of documents from the local level where the initial information is collected to the center (MAG and the mortgage banking institution) and back.

4) Role of the Government and Farmer Organizations

To legitimize the land reform process and demonstrate the Government's commitment to the reform it is essential that a government representative be associated with the titling, land payments and compensation. Campesino organizations may play a vital supporting role in disseminating information, advocating farmer rights in grievance cases and facilitating access to ancillary services (such as credit, inputs) once land rights are established.

5) Data Processing

For reasons of both efficiency and management control, electronic data processing will be essential to handle the task of issuing and redeeming different types of bonds with varying terms and maturity, providing compensation for thousands of ex-landlords, maintaining amortization records for tens of thousands of beneficiaries and issuing land registration and titling documents on hundreds of thousands of parcels of land.

^{1/} The expropriation of fallow land, normally rented, should also be formalized, whether or not those plots were being rented out this year; this is because all lands not directly cultivated are subject to expropriation.

c. Activity Description

The task now before the GOES is to develop detailed implementing regulations, establish clear implementation procedures, inform the public with respect to how and when the reform will be implemented, create the institutional capability to implement the reform and initiate the process. Discussions with MAG officials indicate that this process is just beginning. Preliminary identification of institutions and their basic responsibilities has been made. CENTA and a new department in MAG, the Agricultural Associations Department 1/ will be charged with much of the field work associated with identifying affected lands, beneficiaries and land owners. The same Department is expected to perform, coordinate and/or facilitate the function of land registration, titling and information management. This unit will have to process field data so as to produce end products of beneficiary and compensation lists, amortization schedules, bonds, land registration and ultimately full legal titles. A new institution, as yet unnamed, 2/ will be responsible for matters pertaining to land payments and landlord compensation.

The actual modus operandi for implementing Decree 207 will take some time to plan. The earliest possible provision of project technical assistance to advise on matters of implementation regulations, provisional titling, operational plans for Land-to-the-Tiller implementation, etc., is essential to initiating implementation activities on a timely basis. Implementation will require the mobilization of significant resources to formalize expropriation, determine beneficiaries, carry out provisional titling, land registration, and initiate land payment and ex-landowner compensation. To collect field data and issue provisional titles prior to the commencement of the next agricultural cycle will require a staff of 288 field level land reform agents, 72 CENTA agency supervisors and 14 departmental coordinators. This staff would be dispersed over El Salvador's 14 departments consisting of 261 municipalities and 2008 cantones. Each case will require information from beneficiary, neighbors and ex-landowners. The costs of mobilizing these teams and hiring additional personnel (who will be trained under the training component) will be paid for by the project.

In addition to these operational costs, implementation of Land-to-the-Tiller will require improving the institutional capacity of key institutions. The departmental land registry offices need to be reinforced to handle

1/ Departamento de Asociaciones Agropecuarias: A new unit in MAG, which will have broad responsibilities for implementation activities of Decree 207. Its creation and basic functions are defined in Decree 221, the Special Law of Agricultural Associations. Inspectorías Agrarias will constitute part of this department's field staff. Previously this staff was responsible for the enforcement of the agricultural rent law; these functions became obsolete with the elimination of rental tenure status by Decree 207.

2/ This new institution, whose law must still be written will take over the assets of COFINIA (The Financial Corporation of Agrarian Transformation) which was created in February of 1979 and was intended to serve as a land bank to finance a different kind of "agrarian reform". COFINIA never became functional and there are now plans to change its mandate and charge it with implementation responsibilities vis-a-vis the land to the tiller reform. It is probable the its name will be changed.

the greatly expanded volume of work. An agrarian reform court system needs to be established with one court in each of the 4 agrarian reform zones. Only an initial estimate can be made of the costs for these offices at this time. Technical assistance in the areas of developing implementation regulations, grievance procedures, titling and registration procedures, systems and organizational management will contribute to the basic decisions the government will be taking in the coming months regarding the responsibilities of these institutions and the resource requirements. Preliminary estimates of these costs are reflected in the summary budget presented below and in the Detailed Budget in Annex II, C.4:

Three other elements constitute the balance of project activity. A carefully designed, broad coverage campaign will be undertaken to inform beneficiaries and land owners alike regarding the government's policies and program to implement the Land-to-the-Tiller reform. Initially, the campaign will seek to educate the public with respect to who is affected, how and when. Information on beneficiary and landlord obligations, field information collection and provisional titling will later give way to a treatment of land payments, ex-owner compensation, grievances and ancillary services available to beneficiaries. The Ministry of Agriculture will manage this campaign which will utilize radio, newspapers, pamphlets, etc. Campeño promoters will also be trained and sent to the field to spread the word. This is also one of the key promotional areas addressed by UCS. Currently, UCS's 341 promoters spend most of their time educating Decree 207 beneficiaries. Education and promotion shall continue to be a principal part of their function.

Given the enormity of implementation task, the urgency of its execution and the general state of unpreparedness of both personnel and institutions to deal with Land-to-the-Tiller, substantial amounts of technical assistance will be required. For many areas it will be needed early on to advise on matters of policy, organization and procedures that are required to fashion a land reform implementation system. Two long-term advisors will be grant-financed for one year each. The agrarian reform advisor will advise on matters pertaining to the design of a detailed implementation program covering titling, land registration, compensation, land payments and grievances. Subsequently, he shall address procedural and methodological matters in these same areas in concert with short-term, more specialized assistance. A systems and procedures specialist will assist in the design of an information and management system that will allow for the efficient data handling and production of titles, land registers, bonds and compensation information, beneficiary lists and amortization schedules. The advisor will work closely with short term organizational management specialists. Scopes of work for long-term technical assistance are contained in Annex II.C.4.

Seventeen person-months of short-term assistance are programmed at a cost of \$170,000. Positions, mini-scopes of work and amount of time are identified in the detailed budget in Annex II.C.4.

Electronic data processing (EDP) will be essential to both efficiency and management control of the inter-related processes of titling, registration, land payments and compensation. It will be necessary to design an EDP system to process the enormous quantity of information associated with

executing these processes for 160,000 beneficiaries, between 200,000 and 300,000 pieces of land and thousands of ex-land owners. The project will finance costs associated with the design and installation of the system and for computer services. The salaries of three highly qualified local professionals have also been included to provide the leadership and expertise required to mount this operation.

Training must be provided to personnel responsible for field implementation of Land-to-the-Tiller. CENCAP will arrange for the trainer training, and the training of 14 departmental supervisors, 72 agency supervisors and 288 field workers over a month and a half period commencing in October. Training costs are budgeted under the training component of this project. Course content will focus on skills and job knowledge relevant to the tasks of these employees.

Much of AID's assistance for this project component is associated with financing operating expenses of field work. Salaries, per diem, transportation costs and basic materials (maps, forms, instructions, etc.) will be financed by the project. Perhaps 50% of manpower requirements can be met from existing CENIA and MAG staffs. An estimate of these costs is presented in Annex II.C.4 (Detailed Budget). As a condition precedent to the disbursement of loan funds, MAG will present to AID a detailed implementation plan specifying the actions to be carried out and the type, amount and timing of all costs. AID will advance funds for 60 days estimated expenditures based on this estimate.

Long and short-term technical assistance shall be secured under DSB/RAD Cooperative Agreement Number 5301, with the Land Tenure Center (LTC) of the University of Wisconsin ("Access to Land, Water and Other Productive Assets"). The LTC's long association with land reforms in Latin America and extensive set of contacts throughout the world make it a prominent source of technical assistance for this component. The Mission will rely on DSB/RAD for AID/W backstopping for this activity and help in personnel selection.

Presented below is a summary budget.
A detailed budget is contained in ANNEX II.C.4.

	<u>SUMMARY BUDGET -- Decree 207 Implementation</u>	
	<u>LOAN</u>	<u>GRANT</u>
	(000 \$)	
I. Operational Support	880	
II. Documentation Center	250	
III. Informational Campaign	150	
IV. Institution Building		
Reinforce registry offices	166	
4 agrarian reform courts	184	
V. Technical Assistance		370
T O T A L *	1630	370

*/ Does not include \$25,000 for training

c. Reform Planning and Evaluation (Component III)

1) The Problem - Planning for Agrarian Reform

The comprehensive land reform program launched by the government of El Salvador in the spring of 1980 has placed unprecedented pressure upon the national planning system. The sheer magnitude of critical policy decisions all demanding immediate clarification and articulate guidelines point up the extreme urgency of substantial financial and technical inputs into strengthening the country's planning capability.

Policy makers, due to unprecedented political pressures, have felt forced to articulate critical reform decrees, i. e., Phases I and II as well as 207 - Land-to-the-Tiller, before the overworked planners could analyze pertinent data, explore possibilities, and develop strategies in order to present carefully worked out alternatives for policy decision. To date government has been unable to fully establish priorities in the implementation of the phases of the reform. Goals need to be set, objectives articulated, programs planned, and targets quantified. Clear cut guidelines for institutional participation must be established. With these necessary elements the agrarian reform can be moved through to implementation, with a minimum of dislocation, with desirable consequences for total economic and political milieu of the country.

2) Existing Planning Structure

The framework for the National Planning System for El Salvador was established in 1976 ^{1/}, and defines planning responsibilities at the several levels of the institutional hierarchy. For present purposes there are three planning levels within this structure which have the most immediate application to the agrarian reform program:

<u>Level</u>	<u>Planning Entity</u>	<u>No. of Professional Staff Positions</u>
National Sector	Ministry of Planning	13
	Agricultural Sector Planning Office (OSPA), MAG	35
Institutional	Planning Division, ISTA	11

The National Planning Ministry is concerned with planning and developing operational and policy guidelines for the overall economy. The agricultural sector planning office (OSPA) developed as the unit charged with the planning functions of agrarian reform in addition to their normal duties of agricultural sector planning. ISTA's planning office is concerned with the development and implementation of ISTA's role, principally in Phases I and II of the agrarian reform.

1/ El Sistema Nacional de Planificación: Marco Conceptua¹ Básico; 1976

The Agricultural Sector Planning Office, OSPA, has emerged as the best staffed and most capable unit to deal with the overall agrarian reform program. This is evidenced by the fact that agrarian reform policy makers are utilizing OSPA assistance to the point of straining their capacity to respond. This activity is primarily directed toward enhancing OSPA's capability to respond effectively to the task of planning, guiding and evaluating the agrarian reform program. In helping to strengthen OSPA careful attention will be given to strengthening coordinating linkages among the three planning levels concerned with agrarian reform.

This activity is designed to assist OSPA in attaining the required capability for planning on the scale and at the level of complexity that is demanded by the agrarian reform program. Critical areas in which assistance will be directed are the planning and coordination of implementation of Land-to-the-Tiller, preparation for Phase II, and the monitoring and evaluation of Phase I. Moreover, policy studies will have to be undertaken on such questions as tax policy for the reform sector, on the management of the agrarian debt, the distribution of surpluses and new production opportunities carrying out these tasks will require generation, processing, analysis and use of data and information; coordination of agrarian reform activities and consequences with programs in other sectors and within the sector (e.g. effects on land use, production, employment and balance of payments, required input from the education, health and other service sectors, etc.); and the system for evaluation of plans and implementation strategies, and their modification. In order to meet the demands placed upon OSPA the agrarian reform program, the office must be reinforced and given material and human resources which will enable it to meet its expanded responsibilities.

3) Activity Description

The purpose of this activity is to improve the GOES's capacity to plan, monitor and evaluate the implementation of the agrarian reform program in both the short and long run. The specific objectives are :

a) To strengthen the institutional capability to perform long-term policy, planning and evaluation functions and to respond effectively to the task of guiding the implementation and evaluation of the agrarian reform program;

b) To provide the additional resources needed to carry out special studies and to conduct the high priority, short term planning necessary to develop that capability.

According to the Basic Law, the Minister of Agriculture prepares agrarian reform policy with the assistance of an eleven-person advisory committee. A new Vice-Minister of Agriculture is quickly becoming the focal point of the reform effort and several commissions are working feverishly to meet the deadlines for implementation regulations of the Basic Law and Decree 207. OSPA is a staff office to both officials and provides working links to

the sector's autonomous institutions.

The OSPA is the entity charged with the overall responsibility for agricultural sector planning, for advising and assisting the technical and administrative agricultural public sector entities in their planning process and for the coordination of the sector plans with the national economic and social policies and objectives developed by the Ministry of Planning. It is, therefore, the logical institutional base for this activity.

Under this activity, AID proposes to assist OSPA to develop an Agrarian Reform Planning, Policy, and Evaluation Division which will become OSPA's "nerve center" for the agrarian reform. The project will provide funding for long-term technical assistance and the human and material resources necessary to develop this section into an effective operational entity. This entity must develop quickly the capacity to translate broad goals into coherent strategy; to monitor reform implementation in terms of such performance parameters as profits or losses by producer associations, rate of capitalization, employment generation, and to evaluate the reform outputs such as crop and livestock production, exports, foreign exchange earning, etc. Although several people in the division will be assigned to plan for the long-term and to evaluate the reform's performance, there are policy issues that can not be put off and programs must be designed to implement differing aspects of the reform's several phases. At present it is thought that this would be done by three interdisciplinary task groups, within the division, each of which would focus on different phases of the reform.

DECREE 207 ACTIVITIES

One constellation of issues to be examined is associated with the land-to-the-tiller reform; who are the beneficiaries and ex-land owners; parameters directly associated with the deployment of field staff and resources to initiate the titling processes, etc. Another constellation of issues concerns the nature of the old patron-client relationship, socio-economic characteristics, farming practices, environmental milieu, etc. These bear on the nature and timing of the need for public sector efforts in such areas on credit, access to inputs and markets, extension services. To deal with these questions a special task force will be assembled in OSPA to analyze the available information and that to be gathered under this project.

1/ At the present time almost all of OSPA's four line divisions (Program, Policy, Projects, Organization and Budget), are focusing much of their attention on the reform. As the reform begins to stabilize, however, normal functions will as well. A unit will exist in OSPA, however, whose one and only concern will be the agrarian reform.

The most expeditious, cost-effective means for OSPA to get better information on Land-to-the-Tiller issues is through the use of MAG's area sampling frame. Design of a special "207" questionnaire, field data collection, analysis and the final report could be carried out in an estimated 4 months using regular MAG staff and facilities in the Directorate General of Agriculture Economics. The study could draw upon the advisory services of ROCAP and CATIE for assistance as necessary. Approximately \$50,000.00 will be required for the field work involved in this study.

Phase I Activities

Planning for the healthy development of Phase I cooperative associations is a high priority. The nature of these organizations, (their internal structure with respect to decision making, risk sharing, work roles) and their relationship (access to/dependency upon) to public and private sector services, are crucial to the very viability of the reform and many policy questions about them still remain to be settled. For example:

- How should profits of the enterprises be divided? To what extent should the association have discretion to make such decisions? To what extent should it be regulated?
- What process should be followed in guiding associations to self-management (auto-gestion)?
- What conditions should be stipulated as essential to granting auto-gestion? (For example, profitable operation, good credit standing, books properly maintained, operations in accordance with statutes, by-laws and legal requirements).
- What procedures should be followed if an association becomes insolvent or defaults on land payment or debt?
- After an association reaches auto-gestion, what should be its continuing obligations under the land reform program? What regulations or controls should be maintained over its operation and organization?
- What kind of title should the association have to land obtained under agrarian reform? What should be the titling procedure?
- Under what conditions would individual plots be more practical and efficient than group farming?

The ways in which these issues are resolved will determine in considerable measure both the economic and social success of the Phase I reform.

Profile data on Phase I beneficiaries has been collected but is as yet unanalyzed. The database is a real potential source of information useful for making decisions about the need for social services, housing, education, water,

health conditions and services, etc. Furthermore, base line data on basic socio-economic characteristics will make it possible to monitor progress over time with periodic follow-on surveys. An estimated \$75,000.00 is required to organize and conduct the initial round of studies.

Phase II Planning

Phase II, involving expropriation of estates between 100 and 500 hectares (from 150 hectares in case of poorer land) will be much more complex than Phase I since the number of estates involved (some 1700 - 1800) will be many times larger. Further, because of smaller size of Phase II compared with Phase I estates, it is probable that a smaller proportion will be well organized businesses with paid administrators; indeed, many may be left without any administration upon removal of the former owner. Also, since it is intended to allow the former owner to retain from 100 to 180 hectares ^{1/} in many cases, the net amount to be permanently expropriated may be an insufficient base for the operation of a production cooperative. In such cases procedures for distribution of land to individual beneficiaries may have to be made, in other cases there may be a potential for uniting two or more expropriated properties to form a viable enterprise.

In any case, effective implementation of Phase II will require a great deal of planning if it is to proceed in orderly fashion, with little interruption of production, and with a minimum of confusion, controversy and bloodshed.

In Phase I, 68 haciendas that were under 500 has. were intervened by mistake ^{2/} because cadastral records were not up to date nor in accordance with the property registry (which is the legal record but which does not locate properties well), and because many transactions had not yet been recorded in the property registry. The cadastre is now being updated. Funds in this project will be used to confirm that the cadastre has been properly updated. Cross references will be made for each property with the property registry. From secondary sources such as soil surveys, aerial photos, and tax records as much information will be gathered on each property as possible. Low profile field inspection of 40 to 50 properties to confirm their size, borderlines, soil types, and tenural structures will be carried out to confirm the accuracy of cadastral, property registry, and secondary sources. Having this information organized and analyzed for each property will assist in formulating an intervention strategy and in dealing with the reserve issue. It will also facilitate any negotiations with present owners. The project will provide \$25,000.00 to cover the cost of maps, reproduction of records, and the acquisition of other materials, as well as, the costs of undertaking field inspection of the 40-50 properties.

^{1/} If the land is of poorer quality 150 hectares can be retained, plus another 20% if the owner maintains the property well prior expropriation.

^{2/} Forty-one of these have been returned, 33 immediately upon discovering the error and 8, later.

4) Implementation Plan

A long-term Agricultural planning Advisor will be scheduled to arrive about November 1, 1980 to advise and assist the OSPA in the development of the agrarian reform planning and evaluation of division. OSPA will begin as soon as possible, with the assistance of this advisor, to establish, staff and make operational the proposed entity.

One of the early tasks of the advisory technician will be to assist OSPA management to determine the scope and priority of the special studies needed to serve as a basis for the planning decisions that are critical to success of the reform program. Local and expatriate technical services will be contracted to make these studies, evaluate existing data, and to provide the information required.

Because of the urgency of rationalizing the planning, implementation, evaluation process as it relates to the agrarian reform program, it is expected that through the use of quality local personnel and of local and expatriate consulting services, the institutional and long-term planning capability can be significantly improved simultaneously with the broadening of the information base. Improved methodology, better data and the increased use of computers should permit agricultural planners to respond quickly to the demands of a fast moving agrarian reform effort and to provide the guidance necessary for its successful implementation.

5) Technical Requirements and Budget

A long-term experienced Planning and Research Advisor will be required for one year to advise in the organization, methodology and implementation of the agrarian reform planning section or division. A local senior level Planning Advisor and three Technical Advisors will serve an advisory/staff function in order to move ahead quickly in response to the urgency of the situation. Four additional local Planners, in addition to OSPA's present staff, will be placed in this section to work with the four advisors above so as to provide continuity upon completion of the assistance under this activity.

It is anticipated that additional technical assistance will be required in the areas of data processing, computer programming and in the analysis of information in one or more of the technical agricultural disciplines for the successful implementation of this activity. Ten person-months of short-term assistance has been allocated to fill these needs. The Mission will attempt to make use of the OS/RAD Cooperative Agreement with the Land Tenure Center to procure the required technical assistance. Special care will have to be exercised to coordinate the activities that will be carried out under this component, especially those relating to Phase I, with the Beneficiary Broadening activities described elsewhere in this paper.

BUDGET -- REFORM PLANNING AND EVALUATION
(\$ 000's)

	<u>LOAN</u>	<u>GRANT</u>	<u>TOTAL</u>
Planning and Research Advisor - 1 year		\$100.00	\$ 100.00
Short-Term T.A. 10 pm at \$10.0/mo.		100.00	100.00
Local Professional Staff			
1 Senior Planner at \$18.0, 1 1/2 yrs.	27.0		27.0
3 Advisors at \$14.0, 1 1/2 yrs			63.0
(Econ./Planner, Agronomist & Systems Analyst)	63.0		72.0
4 Staff Planners at \$12.0, 1 1/2 yrs.	72.0		
Computer services	125.0		125.0
Logistical Support			32.4
Vehicle rental 3 at \$300/mo. for 36 mos.	32.4		21.6
Gasoline 300 gal./mo. at \$2.00 for 36ms.	21.6		26.0
Computer supplies, documents, publications, etc	36.0		13.0
Other Costs	23.0		150.0
Special Studies	<u>150.0</u>		
	TOTAL	<u>\$200.0</u>	<u>\$750.0</u>

IV. PROJECT ANALYSES

A. Social Analysis:

Norman Chapin of IAC/DR has done a major study for the Mission on the socio-economic environment within which the agrarian reform is taking place. His report is ANNEX II.A of this PP. The following therefore is a synopsis of the three major social soundness issues which are apparent in the reform to date: (1) group versus individual ownership patterns and working habits, (2) the social problem likely to be encountered in the implementation of Decree 207, "Land-to-the-Tiller" and (3) the role of women in the reform.

1. Group v. Individual Ownership and Working Habits

A strong emphasis exists in this reform on group ownership and working of the large haciendas. This seems to derive from several basic beliefs that are widely held by many policymakers and professionals working in, or connected with, the reform: (1) that the pre-reform haciendas were efficient production units which must not be allowed to break up, no matter what; (2) that group activities are somehow more moral than individual ones, and that Salvadoran "individualism" is an undesirable character trait which must be purged and overcome, and (3) that small-scale farms are inefficient. There is, of course some basis for all those beliefs. Pre-reform haciendas turned a profit and paid taxes, while pre-reform ISTA farm always cost more than their revenues, small-scale farmers do need support services to be efficient producers, and individual sacrifice is at times required for the common good. Still, the Mission has serious doubt about the ability of this revolution to forge the new man and so do most Salvadorans.

A basic distinction must be made between two types of reform beneficiaries. The hacienda colono is a docile, dependent person as Chapin's report points out. The off hacienda aparceros (renter, sharecropper) on the other hand, are markedly self-reliant and individualistic. Thus, the difficulty in getting colonos to work in groups should not be overemphasized. Similarly, efforts to promote group farming among aparceros have met with considerable frustration.

There has already been a tendency on some haciendas to move to the individual subsistence plot. That tendency is being strongly (although not completely) resisted by ISTA, which even though it has evolved, still shows streaks of paternalism. As the reform progresses, it also seems certain that there will be some evolution to individual plots of coffee and perhaps cane. Such shifts should not necessarily be feared or resisted by Salvadoran policy-makers. Small-scale, efficient production of these crops is prevalent in many places, including El Salvador, itself.

2. Decree 207 Implementation

Even though owning a piece of land is among the highest of the aparceros ideals, many "rent" from the same people they work for. Their "off-plot" income is in most cases considerably higher than the subsistence they are able to wrest from their "micro-plots". There will therefore exist some hesitancy among them to claim their rights under Decree 207. There is a solution to this problem. Decree 207 expropriated all lands that are not directly worked by their owners. This should be stressed in media campaigns. The beneficiary is not taking the land from the patron; it has already been taken, and should he not claim it, it could be assigned to others. Campesino unions can also play a key

role here by encouraging aparceros in groups to claim their rights. Although the patron can take employment reprisals against one or two, he will continue to need their labor services and mass reprisals will be difficult.

3. The Role of Women

Women in the rural areas are not only burdened by their economic conditions but face a daily struggle to obtain water and wood for cooking. They, as well as the men, participate in the harvesting of seasonal crops to supplement income though they do not immigrate to other areas in search for such work as do men (Chapin Social Analysis). Legally women are paid less than men for work performed in farms during planting or fertilizing period 1/ but get equal pay for crops harvested.

Land tenure data is not available by sex, though it is thought that because of cultural patterns most of the few land owners and "renters" are men. Women were in effect excluded from the socio-economic benefits of working land for themselves prior to the reforms. Although there is nothing in the reform legislation which discriminates against women, there is also nothing there stating that their incorporation into social decision-making or the benefits of tenure is a goal to be pursued.

Women in El Salvador: Some Basic Facts for Development Planning by Polly Harrison 1977, Page 71, indicates that 70.3% of rural women work 41-48 hours a week at production tasks; most all also are heads of households. Because of cultural volition the reform has yet to come explicitly to grips with these facts.

4. Project Activities Addressing the Social Issues

The Project includes several elements, including training, to ensure that both ISTA and CENIA recognize and monitor the social constraints to implementing the agrarian reform program. Considerable emphasis is being placed on mass communications programs which describe the colono and aparcerero rights and responsibilities under the agrarian reform, and campesino promoters have been hired by ISTA. In addition, a variety of legal assistance, colono training, and community development activities in the Mission program are directed at reinforcing the colonos in their new roles. The project will provide for a women in development training advisor for CENCAP who will attempt to assure female participation in CENCAP courses and also develop a special training program which focuses on women's special needs.

1/ Which may be an important reason they do so much of that work. They do not do land preparation.

B. Financial Analysis

1. Financial Plan

The cost of the project is \$19.4 million. AID will contribute \$13.4 million (\$10 million loan and \$3.4 million grant) and the GOES will contribute \$6 million. AID loan funds will finance credit (\$4 million), operational and administrative support (\$4 million), materials and equipment (\$506,000), vehicles (\$307,000), training (\$200,000) and contingencies and inflation (\$1.1 million). The AID grant will finance credit (\$2 million), technical assistance (\$1.1 million), and contingencies and inflation (\$210,000).

The GOES will contribute \$1 million to the BFA Special Line Credit, and \$5 million for the Former Owner Compensation program. The GOES contribution totals 30% of the total cost of the project. Approximately 12% of the AID assistance will be used to finance foreign exchange costs.

The overall financial plan for the Agrarian Reform Organization Project is presented in Table I.

About one half of the assistance will be used to finance Farmer Organization and Training activities (\$6.2 million loan, \$2.5 million grant). This component include funds for training programs sponsored by ISTA and CENCAP (\$2 million), for an incremental contribution to the BFA Special Cooperative Line of Credit (\$4 million) and a new credit line (\$2 million) for campesino unions, and for technical assistance and equipment (\$650,000) for ISTA to establish a farm level accounting and information system.

Approximately \$2,775,000 of the project assistance will be used for the Reform Administration component. This includes \$750,000 for the Office of Agriculture Sectoral Planning (OSPA) for operational support, vehicle rental, machinery and equipment, office supplies and technical assistance and \$2,025,000 for the Implementation of the Decree 207 program. An additional \$750,000 is provided to strengthen agrarian reform planning and evaluation capabilities of OSPA within the Ministry of Agriculture.

2. Special Credit Financing

Two separate Lines of Credit are to be financed with project funds: \$4 million is being added to the BFA Special Line of Credit established under the Agrarian Reform Credit Project (519-0263) and \$2 million is being provided to finance a separate BFA credit facility for members of campesino unions. Agricultural credit provided by AID under the two projects totals \$15 million. As discussed in Part II, most of the credit will be used to meet agriculture production requirements and medium term expenses of the Agrarian Reform Sector. The interest rate will not be less than 13%. ^{1/} Some 40,000 campesinos are members of unions which initially will be eligible to use this credit.

^{1/} The BFA will charge 15% per annum on funds advanced to campesinos.

TABLE 1

ESTIMATED PROJECT COSTS
(US \$ 000)

COMPONENT	A I D		TOTAL AID	G O E S	TOTAL PROJECT
	LOAN	GRANT			
<u>I. Farmer Organizations & Training</u>					
Training	1,900	1,860	3,760	---	3,760
BFA Campesino Union Credit	1,750	250	2,000	---	2,000
Special Cooperative Credit Line	4,000	---	4,000	1,000	5,000
Accounting & Info. System	400	250	650	---	650
Sub-Total	8,050	2,360	10,410	1,000	11,410
<u>II. Reform Administration</u>					
Beneficiary Broadening	565	110	675	---	675
Implementation of Decree 207	1,630	370	2,000	---	2,000
Former Owner Compensation	---	---	---	5,000	5,000
Sub-Total	2,195	480	2,675	5,000	7,675
<u>III. Planning & Evaluation</u>					
Planning and Evaluation	550	200	750	---	750
Sub-Total	550	200	750	---	750
<u>IV. Inflation & Contingencies</u>					
Inflation and Contingencies	0,955	210	1,165	---	1,165
Sub-Total	0,955	210	1,165	---	1,165
T O T A L	11,750	3,250	15,000	6,000	21,000

TABLE 3

AID FINANCED COMPONENT COSTS
(US \$000)

COMPONENT	COMMODITIES <u>1/</u>	TECHNICAL ASSISTANCE	TRAINING	OPERATIONAL SUPPORT <u>2/</u>	CREDIT	TOTAL <u>3/</u>
<u>I Farmer Organization and Training</u>						
Training	694	1,860	100	1,106	--	3,760
BFA Campesino Union Credit	--	--	--	--	2,000	2,000
Special Cooperative Credit Line	--	--	--	--	4,000	4,000
Accounting and Information System	45	250	--	355	--	650
Sub-Total	739	2,110	100	1,461	6,000	10,410
<u>II Reform Administration</u>						
Beneficiary Broadening	122	110	--	443	--	675
Implementation Decree 207	70	370	--	1,560	--	2,000
Sub-Total	192	480	--	2,003	--	2,675
<u>III Planning and Evaluation</u>						
	--	200	--	550	--	750
TOTAL	931	2,790	100	4,014	6,000	13,835

1/ Includes : Equipment and Materials and vehicles.

2/ Includes Salaries for local Technical Assistance

3/ Contingencies and Inflation not included.

C. Technical Analysis

The Project design involves no significant decisions with respect to the choices of technology. Financial, organizational, and administrative issues have been the over riding concerns in the project's design. They are treated in other sections.

D. Institutional Analysis

The GOES does not have the institutional capability in whole of its separate organizational parts to carry out the reform process it has set itself about. The dimensions of the task are staggering: 238 Phase I farms and another 1700 to 1800 properties in Phase II; an estimated 160,000 potential Land-to-the-Tiller beneficiaries with claims to 200,000 or 300,000 discrete parcels of land; and in total perhaps 35 to 45% of all farm lands will be affected. Apriori, it was patently clear that ISTA did not have the management, human and physical resources to carry out Phase I. Yet, the intervention was executed, campesinos were organized, and a relatively normal level of production was maintained. ISTA rose to the task surprisingly well with secured staff and vehicles which were later released when the crisis passed. Remarkable institutional elasticity was demonstrated, not only by ISTA but by most of the public sector agricultural institutions.

Only with similar "remarkable" performances by CENCAP, OSPA, CENTA, BFA, ISTA, and a-yet-to-be-born mortgage banking institution can this project be fully implemented and the reform process moved forward. The Mission believes this will be the case. Because it must be; there are virtually no alternatives to weak, disorganized, or untested institutions rising above their limitations. This is not a sanguine analysis which concludes that everything will turn out well; institutional performance will depend upon a massive effort to plan, organize, reinforce and support key institutions. Often we confuse institutional capacity for political will. Yes, with will and resources many things can be done. That does not mean they will be done well. To wit, the GOES did "take" 68 properties under 500 ha. in Phase I "by mistake" e.g., 24% of the properties taken were too small. ^{1/}. Clearly, it caused lots of problems afterwards. To make things work well takes skill, knowledge and experience, as well as, adequate resources. That is what this project is about: planning here, training there, and experiment here, organization there. That does not mean resources aren't important. For example, one strategy for dealing with "the institutional problem" has already been put into play by both the GOES and AID. The former in its massive mobilization to implement Phase I land reform and AID with the \$3.25 million of ESF institutional support that was programmed early and is now having a perceptible impact on the public sector's capacity to perform.

^{1/} A number of properties over 500 has. have not been expropriated.

Presented below is an analysis of the principal institutions involved in the implementation of this project. An effort has been made to provide sufficient descriptive information to allow the reader to recognize the institution's basic functions, organizational structure and resources at its disposal. As all institutions examined were found wanting in their capacity to carry out their project responsibilities, the analytical presentation was limited to a recitation of weaknesses (and in some cases strengthes) and a determination regarding the project design's recognition of these issues. The organizational chart of the MAG's public sector institutions located in Annex II.D., will assist the reader in understanding each institution's place in the MAG Hiarchical structure. Further details on all the institutions is contained in Annex II.D.

1. CENCAP - National Center for Agricultural Training

CENCAP, as the Agricultural Sector's principle Training Entity, is responsible for planning, coordinating, facilitating, and brokering agrarian reform training and educational programs and for training campesino beneficia-ries and public sector technicians. It is a relatively new institution with limited resources and has only 40 employees on its staff. 1/ Most of the technical training is managed by the Office Technical Training. About 500 campesinos and public sector technicians have received some type of training at the three existing training centers (financed with ESF) since the reform began.

Despite its small staff and the lack of institutional dynamism which has characterized CENCAP's short existence, the organization has demonstrated a unique understanding for the problems and educational program requirements of agrarian reform. The technical assistance and institutional support provided by this project will help CENCAP, especially the training office, to establish an agricultural training program for promoters and other personnel. The institution also should be strengthened by the substantial IBRD-FAO institutional reinforcement that it is receiving. 2/

2. BFA - Agricultural Development Bank

The BFA is responsible for providing short and medium term

1/ Of CENCAP's current staff of 40, 17 are professionals. Of these, 4 are researchers and 9 are trainers who for the most part are agronomists by profession and not educators. See Annex IID for a detailed description of CENCAP.

2/ The IBRD loan of \$3.4 million finances nine new training centers scheduled for completion in December, 1981. It finances as well 87 PM of technical assistance which follows on to an FAO project started in August, 1979.

production credit to small farmers and farm groups under this project. Its organizational structure includes a network of 4 regional offices, 28 branch banks and 44 warehouses. The bank has 950 employees of which approximately 190 are credit analysts and 200 are agronomists/extension agents. It is currently projecting a lending level of \$101 million for 1980. It has had some experience in lending to small farmer groups with the objective of generating permanent employment and improving living conditions in rural areas. In 1979, 2811 "solidarity groups", 126 cooperatives and 41 ISTA groups received loans under this program. Repayment rates were high for the basic grain loans because production was marketed through the Agriculture Marketing Institute (IRA) and loan repayments were withheld to repay the BFA. The bank experienced varying degrees of success for other than basic grains.

The bank operates through 3 divisions:

1. Banking Division. This Division provides loans on the same basis as a commercial bank.
2. Division of Economic and Social Development. This Division provides loans to small and medium size farmers.
3. Fiduciary Division. This Division administers trust funds.

Approximately \$500,000 in technical assistance for the bank is being financed by the Agrarian Reform Credit Project to strengthen its rural credit activities. Based upon the detailed institutional analysis of the Bank in the Agrarian Reform Credit Project and Annex II.D of this project, it is clear that the BFA has the institutional structure and the capability to serve the reform sector and to reach large numbers of small farmers with agricultural credit through lending groups.

3. OSPA - Office of Agricultural Sectoral Planning

OSPA will be responsible for implementing the Beneficiary Broadening and the Reform Planning and Evaluation Activities. It serves as the Ministry "think-tank" - advising on policy, formulating the framework for the reform and assessing progress and performance. It includes 3 Divisions and 2 Special Units and employs 35 professionals and 27 support staff:

1. Division of Programs. This Division evaluates existing agriculture programs and develops new programs.
2. Division of Projects. This Division is responsible for assisting MAG entities to plan agriculture projects. It also identifies specific program needs and locates resources to meet those needs.
3. Budget Division. The Division controls the allocation of funds to support specific projects.

Two special units, International Cooperation and Administrative Services, provide support services for the three divisions.

4. ISTA - Salvadoran Institute for Agrarian Transformation

ISTA's project specific responsibilities relate to the training, accounting and to a lesser extent, beneficiary broadening components. Although many ISTA-technicians/employees have worked in agrarian reform activities, most do not possess sufficient skills to effectively carry out campesino leadership or farm management training. Most of its new promoters were formerly with UCS. ISTA's present training capacity needs to be reinforced.

In the case of the accounting/information component, ISTA's dilemma is even more acute. It has had severe problems in managing its own books and simply does not have technicians experienced in accounting operations for large agrobusinesses like those in Phase I. Within the project, however, it is not ISTA's function to "keep the books" at the haciendas although it does have legitimate audit and oversight functions. ISTA's role is to transform individual cooperative associations into auto-gestion (self-management entities).

So far ISTA has done a remarkable job with only 600 employees. It has been the principal implementing entity behind the reform. It has intervened the haciendas, helped form the asociaciones and maintained a relatively normal level of agricultural production. Much of this work was accomplished with employees and equipment secured from CENTA and OSPa, and other Ministry of Agriculture entities. The task now is to institutionalize the process: move the cooperative associations to viable, self managed entities as quickly as possible and to establish an infrastructure that can deliver services to the new cooperative associations on the intervened haciendas.

5. Mortgage Bank

A new land bank will probably be established to handle mortgage payments by agrarian reform land beneficiaries as well as compensation payments to ex-landlords. It will inherit the personnel and assets of The Corporación Financiera de Tierras Agrícolas (COFINIA) which was established in February 1979, but never became operational. Technical assistance and operational support to help establish the new bank will be provided by the Project.

The new bank will include at least two operational units:

1. Mortgage Credit Operations. This Division will be responsible for collecting mortgage payments from agrarian reform beneficiaries.

2. Payments Division. This Division will be responsible for compensating ex-landlords.

6. CENTIA - National Center of Agriculture Technology

CENTIA has the largest field organization capability in El Salvador. The Agriculture Extension Division will be responsible for carrying out most of the field work associated with implementation of Decree 207. It has "agencies" in 72 locations scattered throughout the country. As described in Annex II.D., it is divided into four regions and employs 461 extension agents, including 94 basic grains specialists and 76 home education agents. It has worked in small communities since 1971, and, as a result, has established a high level of confidence with campesinos and campesino groups. Because of this broad geographic capability, local agents' familiarity with their communities and the degree of campesino confidence reposed in extension agents, CENTIA has been selected to implement Decree 207, the Land-to-the Tiller program.

E. Economic Analysis

1. Methodological Considerations

It is not really possible to do an economic analysis of this project, as such. Although its costs would be relatively easy to define, the benefits generated by it would be hard to distinguish from those generated by the overall agrarian reform process and harder still to distinguish from those generated by expenditures undertaken at an earlier or later date than those of this project. It may be possible, however, to make some general statements about the economic costs and benefits of the whole GOES-AID sectoral program. Even those general statements, though, will have to be strongly qualified. It is impossible to separate out the effects of the agrarian reform from the social convulsion of which it is a part. In El Salvador export crop production dropped quite drastically the year before the reform was initiated because of violence, crop destruction, and fear. Dislocations have probably had a role in precipitating the reform and the reform has probably resulted in further dislocations. The economist's ceteris paribus mind-set is of little value here. Still the project does have costs and if it doesn't have at least corresponding benefits, it should not be undertaken.

2. Sources of Costs and Benefits

There are economic costs and benefits to land reform, but this project is intended to promote agrarian reform, not only land reform. The land reform consists of the redistribution of land assets accompanied by improved tenurial security. This project supports agrarian reform by attempting to provide training, organization, and services to beneficiaries in order that the benefits of land reform be consolidated more quickly and be greater. Thus for purposes of the analysis, the "without project" situation is assumed to be one where the land reform is decreed but there is no assistance to the beneficiaries. The "with project" case is one in which the joint GOES-AID program brings in services like credit, technical assistance, organization and training to the farmers. The sector program has a limited life and only generates benefits for a limited time. We have assumed that the expenditures made over the five-year program generate benefits for a period of ten years, with the GOES providing maintenance for the remaining period.

The benefit stream created by these investments is portrayed graphically and in tabular form in Annex II.B.2. The benefits derive from the following:

1. Agrarian reform results in better land use greater employment. With the project's resources in credit, organization, and training, the reform's benefits come more quickly.
2. Agrarian reform normally results in an initial decrease in output and after that higher growth in output. In our projection, that initial drop in output is less than it would have been without the project.

Not taken into account are the secondary benefits of reform such as the impact that better income distribution has on industrial sector demand, the eventual decrease of violence and disruptions because of the agrarian reform, etc. The specific assumptions underlying the projection of the benefit stream appear in ANNEX II.B.2 Given our assumptions, the calculated benefit-cost ratio for the program is 1.33 to 1, using a 15% discount rate.

This analysis is meant to be illustrative of the forces which underlie this process. As stated previously, the quantitative methods of the economist are not really suitable for the agrarian reform situation, and a danger exists that our numbers will be taken more seriously than they should be.

3. The Macro-economic Situation

The macro-economic situation in El Salvador is a desperate one and there is a strong possibility that the benefits of land reform (and agrarian reform) could go unrealized or be long delayed if the production and employment situation is not improved quickly. El Salvador's overall economic situation is dealt with at some length in the Mission's Agrarian Reform Strategy Statement which is being reviewed together with this document and therefore need not be further explored here. Annex II.B.1 does, however, include, Clark Jocl's (AID/ROCAP) June 23, 1980, balance of Payments and GOES fiscal projections as well as some interesting money supply statistics.

V. IMPLEMENTATION ARRANGEMENTS

A. Host-Country Implementation Responsibilities

The Ministers of Agriculture and Planning and the President of the Agriculture Development Bank will sign the Project Agreement. Overall coordination and implementation of the project will be handled by the Office of the Subsecretary of Agriculture. The implementation entities are either direct dependencies of the MAG (OSPA, CENCAP, CENTA) or its semi-autonomous agencies (ISTA and the BFA). COFINIA, presently an autonomous entity of the Ministry of Economy, will be transformed into a land mortgage bank, its name changed, and be attached to the MAG, as well.

The General Manager of the BFA will have project implementation responsibilities for the agricultural credit activities. Loan and grant funds and the host country credit contribution will be allocated from the Central Bank directly to the BFA for an increment in the capitalization of the Special Cooperative Association Line of Credit. The Central Bank will do the same with grant funds for the Credit Facility for Members of Democratic Campesino Unions. Similarly, the General Managers of ISTA, the new mortgage bank, and the Directors of OSPA, CENCAP, and CENTA will be responsible for implementing their respective project activities. They will manage project funds and will meet periodically with AID about implementation matters. They will also be responsible for meeting AID reporting requirements.

B. AID Arrangements

1. Project Monitoring Responsibilities

Project Management responsibilities will rest with the Rural Development Office. This Office will be assisted as needed by the Capital Development, Program, Management, and Controller's Offices.

2. Disbursement Procedures

Normal AID disbursement procedures will be used except that, additional credit funds for the Special Cooperative Association Line of Credit will be disbursed in accordance with the procedure outlined in the Agricultural Credit PP (Section IV.A.7). Sixty day advances could be made for all other project activities.

3. Procurement Procedures

AID procedures outlined in Handbook 1, Supplement B, Chapter 19 (Intermediate Credit Institutions) will be followed for the loan and grant financial credit. It is expected that the credit will be used almost exclusively for local cost financing. This will include procurement of imported shelf items. Normal AID procurement procedures will be used for the remaining loan and grant funds. AID Development Grant Funds will be used to finance credit and technical assistance from the Central American Common Market and the U.S.

The Mission is planning to enter into agreements with the Instituto Centroamericano de Administración de Empresas (INCAE) ^{1/} and the Instituto Interamericano de Ciencias Agrícolas (IICA) to provide grant-financed technical assistance. The main reason for a direct, rather than host country contracting is related to the security situation. The Mission's experience with contracts as of late is that many foreigners are hesitant to come to El Salvador. A direct relationship with AID, as opposed to with the GOES, will give INCAE and IICA employees a better sense of security and should therefore result in attracting higher quality people and more timely ETA's. For both the IICA and INCAE agreements, normal agency procedures will be followed. AID assistance has been instrumental in strengthening INCAE and IICA in the past; using their services in this project continues that support. For Decree 207 Implementation and Reform Planning and Evaluation technical assistance the Mission will attempt to use the services of the Land Tenure Center (LTC) using DSB/RAD's existing Cooperative Agreement with that institution.

Mission requests a waiver of normal U.S. advertising regulations and authority to enter into negotiated procurement for approximately 20 vehicles costing approximately \$300,000. In the interest of getting the vehicles here as rapidly as possible, Mission proposes to procure vehicles from various U.S. dealers. Host country officials are not sufficiently familiar with AID procurement regulations. It would entail considerable delay in project implementation to acquaint them with these procedures. Mission proposes to use the services of the Regional Procurement Advisor to purchase the vehicles.

C. Implementation Schedule

<u>Event</u>	<u>Target Date</u>
1. Project Authorization	August 25, 1980
2. Project Agreement Signed	August 30, 1980
3. Initial Condition Precedent Met	September 15, 1980
4. First Advance of BFA Credit Funds	September 22, 1980
5. Long-term TA Consultants Arrival	October 15, 1980
6. Conditions Subsequent to Initial Disbursement Met	October 25, 1980
7. First Project Evaluation	January 2, 1981
8. Final Project Evaluation	March 10, 1982
9. Project Assistance Completion Date	April 30, 1982

D. Evaluation Plan

The continuing evaluation of the reform is provided for under the planning and evaluation component. We do not propose therefore to fund separate additional joint evaluations. Formal joint review with Mission, GOES personnel and AID/W

^{1/} Under the contract INCAE will provide technical assistance to CENCAP for management development and to ISTA for the hacienda accounting system. For the latter activity, it also will do project procurement of computer services, supplies, etc.

direct-hire support will be scheduled on a quarterly basis. The Mission/GOES will examine such factors as: (a) progress made toward establishing on-farm accounting and (b) extent to which Agrarian Reform policies/procedures are being effectively articulated and implemented; (c) the rate at which the optimal beneficiary carrying capacity of Phase I haciendas are being established and the quality of these plans; (d) the degree to which cooperative associations are participating in the preparation of financial plans and credit applications; (e) sub-loan repayment; (f) utilization and efficacy of special credit facility for democratic campesino groups; (g) progress in provisional titling of 207 beneficiaries, compensation of ex-land owners and collection of land payments from beneficiaries; (h) the adequacy of reform training. In addition, based on reform developments and implementation experience, the Mission will conduct periodic internal reviews of its agrarian reform strategy and update it accordingly. An internal strategy review will be held in May of 1981 and annual evaluations will be carried out in September/October of subsequent years of the sector program. AID/W direct-hires and selected experts will be invited to participate in the internal reviews. These reviews would focus not only on the implementation of the sector programs but also on the changing need of the GOES's reform program.

E. Conditions and Covenants

We propose to include the following conditions precedent to disbursement in the project agreement.

1. Prior to any disbursement of funds in support of credit activities financed by this assistance, the BFA will establish the BFA Credit Facility for Members of Campesino Unions, specific lending procedures and mechanism for short term production credit and for medium term credit for agriculture, agro-industry and cottage industry activities. This will include (a) an instrument establishing the line of credit and procedures for lending the credit; (b) a plan to advise and assist unions in orientation of personnel and delivery of credit; (c) a financial plan for the use of the credit; and (d) terms under which the credit will be provided interest, maxim amount, etc.

2. Prior to any disbursement for the Special Cooperative Association Line of Credit the CJES shall provide evidence that such a special line has been established which can be used for (a) crop productions credit, (b) medium and long-term investment requirements, and (c) hacienda administrative requirements.

3. Prior to any disbursement for computer services, analysis of the computer applications included in this project will be carried out. That analysis will take into account: (1) the advantages and disadvantages of renting versus AID purchasing, and (2) using a network computer system for the reform sector taking into account existing installed capacity, as well as, the information dimensions of the reform process, and the computer companies established in El Salvador.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 80 to FY 82
Total U.S. Funding \$13,400
Date Prepared: July 26, 1980

Project Title & Number: Agrarian Reform Organization 519-026

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objectives to which this project contributes:</p> <p>Goal: To promote equitable growth in agriculture production.</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> 1. Increased incomes 2. Improved crop yield indicators 3. Improved living conditions 	<ol style="list-style-type: none"> 1. Surveys and Special Studies 2. Surveys and Special Studies 3. Surveys and Special Studies 	<p>Assumptions for achieving goal targets:</p> <p>Political stability achieved.</p>
<p>Project Purpose:</p> <p>To initiate the agrarian reform's farmer organization and training activities, reinforce its implementation and strengthen its planning and evaluation capabilities.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status</p> <ol style="list-style-type: none"> 1. Capacity established to plan, manage and render training to reform sector. 2. Viability of special BFA facility for democratic farmer unions demonstrated. 3. Special Cooperative Line of Credit serving needs of Phase I & II coop associations. 4. Unified accounting system serving mngt. needs of coops and information needs of ISTA & reform planners & policy numbers. 5. Basis for long range farm planning established. 6. Land rights of LTTT legitimized mortgage bank functioning. 7. MAG effectively developing reform policy & programs and evaluating their effect. 	<ol style="list-style-type: none"> 1. Project Evaluation 2. Project Evaluation 3. Project Evaluation 4. Project Evaluation 5. Project Evaluation 6. Project Evaluation 7. Project Evaluation 	<p>Assumptions for achieving purpose:</p> <ol style="list-style-type: none"> 1. Consistent and coherent agrarian reform policy will be articulated.

<p>Outputs:</p> <ol style="list-style-type: none"> 1. Campesinos, technicians and management staff trained. 2. 2,000 loans to farm union members. 3. Special credit requirements of 40 coop associations met. 4. Multipurpose, unified accounting system established and utilized by Phase I and II coop assoc. 5. Phase I & II farms beneficiary carry capacity determined and long-term farm plans made. 6. Tiller Reform implemented: <ol style="list-style-type: none"> a) 160,000 LTTT beneficiaries provisionally titled. b) 160,000 LTTT beneficiaries making land payments. c) Compensation arrangements made for 10,000 ex-land owners. 7. Reform planning and evaluation unit established in OSPA. 	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> 1. a) 25,000 person-weeks of campesino, technician & mngt. training. b) 5,000 person-days of conferences. c) 1,500 peson-wk of inter-hacienda observational training. 2. 2,000 loans 3. 40 Special Lines of Credit 4. 239 Phase I coop associations using accounting system. 5. 239 Phase I farm plans 6. a) 160,000 provisional titles b) 160,000 land paying beneficiaries c) 10,000 ex-land owners 7. 1 Reform Planning Unit 	<p>Means of Verification:</p> <ol style="list-style-type: none"> 1. CENCAP and cooperative association records. 2. BFA records. 3. BFA records. 4. BFA records. 5. OSPA records. 6. a) Land Registry b) Mortgage Bank c) Mortgage Bank 7. Observation 	<p>Assumptions for achieving outputs:</p>																								
<p>Inputs:</p> <p><u>A.I.D.</u></p> <p>Farmer Organization, and Training</p> <p>Reform Administration</p> <p>Planning and Evaluation</p> <p>Inflation/Contengency</p> <p>Total</p> <p><u>G O E S</u></p> <p>Special Line of Credit</p> <p>Owner Compensation</p> <p>Total</p>	<p>Implementation Targe (Type & Quantity)</p> <table border="1"> <thead> <tr> <th></th> <th><u>L O A N</u></th> <th><u>G R A N T</u></th> </tr> </thead> <tbody> <tr> <td>Farmer Organization, and Training</td> <td>\$ 8,050,000</td> <td>\$ 2,360,000</td> </tr> <tr> <td>Reform Administration</td> <td>2,195,000</td> <td>480,000</td> </tr> <tr> <td>Planning and Evaluation</td> <td>550,000</td> <td>200,000</td> </tr> <tr> <td>Inflation/Contengency</td> <td>955,000</td> <td>210,000</td> </tr> <tr> <td>Total</td> <td>\$11,750,000</td> <td>\$ 3,250,000</td> </tr> </tbody> </table> <table border="1"> <tbody> <tr> <td>Special Line of Credit</td> <td>\$ 1,000,000</td> </tr> <tr> <td>Owner Compensation</td> <td>5,000,000</td> </tr> <tr> <td>Total</td> <td>\$ 6,000,000</td> </tr> </tbody> </table>		<u>L O A N</u>	<u>G R A N T</u>	Farmer Organization, and Training	\$ 8,050,000	\$ 2,360,000	Reform Administration	2,195,000	480,000	Planning and Evaluation	550,000	200,000	Inflation/Contengency	955,000	210,000	Total	\$11,750,000	\$ 3,250,000	Special Line of Credit	\$ 1,000,000	Owner Compensation	5,000,000	Total	\$ 6,000,000		
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MINISTERIO DE PLANIFICACION
Y COORDINACION DEL DESARROLLO
ECONOMICO Y SOCIAL

ANNEX I
Exhibit B.1.

San Salvador, 16 de julio de 1980

DIREPROY No. 100

ASUNTO: Solicitud formal de Financiamiento para el Programa "Organización para la Reforma Agraria"

Señor
Daniel E. Chaij
Sub Director
USAID/EL SALVADOR
Presente.

Estimado Señor:

En nombre del Gobierno de El Salvador, presento a usted solicitud formal de asistencia financiera reembolsable y no reembolsable, hasta por la suma de US\$15.000.000.- (QUINCE MILLONES DE DOLARES DE LOS ESTADOS UNIDOS DE NORTE AMERICA), para el programa denominado "ORGANIZACION PARA LA REFORMA AGRARIA" a ser ejecutado por el BFA, cuyo objetivo es beneficiar aproximadamente a 370.000 personas de bajos ingresos asentadas en el área reformada, que comprende una extensión mayor de 200.000 Has, a través de asistencia financiera y capacitación técnica y administrativa a los agricultores en pequeño que integran cooperativas agrícolas. El programa permitiría también establecer sistemas contables prácticos que faciliten el control y evaluación de los beneficios obtenidos mediante la implantación de la Reforma Agraria.

El monto aproximado del programa, asciende a la suma de US\$21.0 millones, de los cuales el Gobierno de El Salvador aportará en concepto de contrapartida para gastos locales, una suma equivalente a hasta US\$6.0 millones.

Los componentes del programa están constituidos por los rubros siguientes:

- 1- Entrenamiento y organización de agricultores en pequeño
- 2- Asistencia para la reforma administrativa
- 3- Planificación y evaluación
- 4- Imprevistos y escalamientos de costos

Mucho estimaré dar un trato preferencial a la presente solicitud dado el interés prioritario del Supremo Gobierno de El Salvador, en ejecutar dicho programa.

Me suscribo de usted con toda consideración y estima.



Carlos Federico Paredes C.
CARLOS FEDERICO PAREDES C.
Subsecretario
Encargado del Despacho.

cc: Señor Ministro de Agricultura
y Ganadería.

DC
OFICINA DEL PRESIDENTE

P. 7/2

Sañ Salvador, 3 de julio de 1980.

Señor
Daniel Chaij
Sub-Director de la
Agencia Internacional para el Desarrollo,
Ciudad.

Me es grato saludarle afectuosamente, y a la vez
hacer referencia a la visita que con fecha 19 de junio del pre
sente año, hicieron a la Corporación Financiera de Tierras
Agrícolas (COFINTA) los Señores Wayne Milbenstuen, Oficial de
Desarrollo Rural y Bastiaan B. Schouter, Oficial de Préstamo,
funcionarios de la Agencia Internacional para el Desarrollo -
(AID) .

He sido notificado, por nuestro Director Ejecuti
vo, Lic. Ciro Guillermo Matta, quien los atendió en esa oportu
nidad, que al igual que en vez anterior, cuando fungía como
Presidente de COFINTA, el Lic. Santiago Rolando Aivarenga, la
intención de la AID, es la de ofrecernos ayuda para resolver
en la mejor forma posible, los problemas relacionados con el
Proceso de la Reforma Agraria.

Como ya es de su conocimiento, los objetivos de
COFINTA, serán reorientados para ponerlos en concordancia con
la nueva concepción de la Reforma Agraria, por tal razón, nues
tra Junta Directiva, por mi medio, solicita en una primera ins
tancia a AID, asistencia técnica para la organización adminis
trativa y técnica de la institución que actualmente es COFINTA,
para adecuarla a las funciones y responsabilidades, que le se
rán asignadas.

En espera de una favorable resolución, en el me
nor plazo posible, me suscribo con toda consideración y aprecio.



Hernán Tenorio
Ing. Hernán Tenorio Aguarda
Presidente en funciones

BEST AVAILABLE COPY

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual fund sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? **Yes.**
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PRODUCT? **Yes.**

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FAA Sec. 653 (b); Sec. 634A. (a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)?

An advice of Program Change has been forwarded to the Congress notifying them of this new FY80 project. The project is on the OYB level.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

None required at this time
4. FAA Sec. 611(b); FY 79 App. Act Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973?

N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

Yes
6. FAA Sec. 202. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

No

A.

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project will finance credit to farmer associations/Cooperatives which will encourage the development of this kind of associations, and it will strengthen free labor unions.

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

U.S. goods and services will be used as appropriate.

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

The GOES will contribute \$1,000,000.00 toward the provision of a Special Line of Credit for Agrarian Reform Farm beneficiaries.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

12. FY 79 App. Act Sec. 608. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar, or competing commodity?

N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111; 113; 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained

The purpose of the project is to initiate the agrarian reform farmer organizations and training activities, reinforcing implementation activities and strengthening planning and evaluation activities.

basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 102, 103A, 104, 105, 106, 107.
Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

(1) [102] for agriculture, rural development, or population; if so, extent to which activity is designed to increase productivity and income of the poor; [103A] if for agricultural research, full account taken of needs of small farmers;

Approximately \$6,000,000.00 million of the loan funds will finance credit and training, agricultural research (103A). Full account is taken of needs of small farmers.

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, and paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other needs of community health.

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

(4) [106] for technical assistance, energy, reconstruction, and selected development projects; if so, extent activity is:

(i) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(ii) to help alleviate energy problems;

(iii) if research into, and utilization of, new development processes and techniques;

(iv) reconstruction after natural or man-made disaster;

B.1.b.(4).

(v) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. [107] Is appropriate effort placed on use of appropriate technology? Yes

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)? Yes

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to the Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? No

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental and political processes essential to self-government. The program supports the development of democratic organizations that will participate in their own self-government.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase or productive capacities and self-sustaining economic growth? Yes

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects. The country has the capacity to repay loan

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? N/A

b.

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance support promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

b. FAA Sec. 533. Will assistance under this chapter be used for military, or paramilitary activities?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

- | | |
|--|-----|
| 1. <u>FAA Sec. 602.</u> Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed? | Yes |
| 2. <u>FAA Sec. 604(a).</u> Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or his delegation from him? | Yes |
| 3. <u>FAA Sec. 604(d).</u> If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the United States on commodities financed? | Yes |
| 4. <u>FAA Sec. 604(e).</u> If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? | N/A |
| 5. <u>FAA Sec. 608(a).</u> Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? | Yes |
| 6. <u>FAA Sec. 603.</u> (a) Compliance with requirement in section 901(b) of the Merchant Marine Act of 1935, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. | Yes |
| 7. <u>FAA Sec. 621.</u> If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the | Yes |

A.7.

facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

Yes

9. FY 79 App. Act Sec. 105. Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States?

Yes

3. Construction

1. FAV Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest?

N/A

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the United States not exceed \$100 million?

N/A

C. Other Restrictions

1. FAA Sec. 122 (e). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

Yes

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-bloc countries, contrary to the best interests of the United States?

Yes

4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or guaranty of such transaction?

Yes

C.

5. Will arrangements preclude use of financing:

- | | |
|--|-----|
| a. <u>FAA Sec. 104(f)</u> . To pay for performance of abortions or to motivate or coerce persons to practice abortions, to pay for performance of involuntary sterilization, or to coerce or provide financial incentive to any person to undergo sterilization? | Yes |
| b. <u>FAA Sec. 620(g)</u> . To compensate owners for expropriated nationalized property? | Yes |
| c. <u>FAA Sec. 560</u> . To finance police training or other law enforcement assistance, except for narcotics programs? | Yes |
| d. <u>FAA Sec. 662</u> . For CIA activities? | Yes |
| e. <u>FY 79 App. Act Sec. 104</u> . To pay pensions, etc., for military personnel? | Yes |
| f. <u>FY 79 App. Act Sec. 106</u> . To pay U.N. dues? | Yes |
| g. <u>FY 79 App. Act Sec. 107</u> . To carry out provisions of FAA sections 209(d) and 251(h)? (Transfer of FAA funds to multilateral organizations for lending.) | Yes |
| h. <u>FY 79 App. Act Sec. 112</u> . To finance the export of nuclear equipment, fuel, or technology or to train foreign nations in nuclear fields? | Yes |
| i. <u>FY 79 App. Act Sec. 601</u> . To be used for publicity on propaganda purposes within United States not authorized by the Congress? | Yes |

PROJECT AUTHORIZATION

Name of Country: El Salvador
Name of Project: Agrarian Reform Organization
Number of Project: 519-02
Loan Number: 519-T-

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Agrarian Reform Organization project for El Salvador (the "Cooperating Country") involving planned obligations of not to exceed

over a two year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign currency and local currency costs for the project.

2. The project ("Project") will initiate the agrarian reform's farmer organization and training activities, reinforce its implementation, and strengthen planning and evaluation capabilities; and will increase the availability of credit for beneficiaries of the Salvadoran Agrarian Reform by helping to strengthen the capability of the Banco de Fomento Agropecuario (BFA) to provide for the special credit requirements arising from the Agrarian Reform.

3. The Project Agreements, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

a. Interest Rate and Terms of Repayment (Loan)

The Cooperating Country shall repay the Loan to A.I.D. in U.S. Dollars within twenty-five (25) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services (Loan)

Goods and services, except for ocean shipping, financed by A.I.D.

under the Loan shall have their source and origin in countries that are members of the Central American Common Market or in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Loan shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States or of countries that are members of the Central American Common Market.

c. Source and Origin of Goods and Services (Grant)

Goods and services, except for ocean shipping, financed by A.I.D. under the Grant shall have their source and origin in the United States and countries that are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

d. Reimbursement of Expenses

Upon compliance with the relevant Conditions Precedent to Disbursement by the Cooperating Country, A.I.D. may disburse loan funds as reimbursement for costs of credit, and Grant funds as reimbursement for costs of technical assistance and other eligible costs, provided that evidence is furnished to A.I.D. in form and substance satisfactory to A.I.D. that such costs were incurred subsequent to the Project Authorization date.

e. Conditions Precedent to First Disbursement (Assistance)

Prior to any disbursement, or the issuance of specific commitment documents under the Assistance, or to the issuance by A.I.D. of documentation pursuant to which disbursements will be made, the Cooperating Country will except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

INITIAL ENVIRONMENTAL EXAMINATION

I. BASIC PROJECT DATA:

Project Location: The rural areas of the Republic of El Salvador

Project Title: Agrarian Reform Organization

Funding: FY 80: Loan \$10,000,000
Grant \$ 5,000,000

Life of Project: 18 months

IEE Prepared by: C.R. Gavidia, Gen. Engr. and Environmental Coordinator

Threshold Decision: Negative Environmental Decision

II. DESCRIPTION OF THE PROJECT

The purpose of the project is to initiate agrarian reform and farmer organizations training activities, reinforce the implementation, and strengthen planning and evaluation capabilities. The project has been designed to provide support for the on-going agrarian reform program, to support farmer organizations and the institutions that will be responsible for implementing the agrarian reform program. It also is designed to respond to the short-term credit needs of some 238 haciendas that were expropriated under Phase I of the agrarian reform program and an additional 160,000 small farmers who will receive title to individual plots of land under the LTTT program. 1/

The project will have both grant and loan funded elements. Grant funds will be used to finance the technical assistance component and the LTTT credit program. Loan funds will be used to supplement the Special Line of Credit that was created as a result of the Agrarian Reform Credit Project. This Special Line, established in the BFA, makes short and medium term credit available to the haciendas that are part of Phase I of the reform. Loan funds also will be used to strengthen Ministry of Agriculture organizations that are responsible for implementing the reform; this funding includes: training, personnel, computer services, supplies and equipment, etc.

III. IDENTIFICATION OF ENVIRONMENTAL IMPACT

The vast majority of project resources will be used to strengthen the

1/ LTTT: Land-to-the-Tiller Reform is provided for by Decree 207.

institutions that are responsible for implementing the Agrarian Reform Program, absorb part of their operational costs, and the balance of resources are for credit on the recently expropriated haciendas at LTTT farms. The credit will be used to support existing agricultural production patterns -- most of which is in the traditional exports -- sugar, coffee and cotton -- and basic grains. Concern for indirect financing of pesticides with AID funds and the subsequent environmental consequences was manifested in the course of the DAEC review of Project 519-0263. Environmental concerns are being addressed with short-term technical assistance provided by the project. Pesticide imports, handling, use and alternatives such as integrated pest management will be examined.

In the longer term, the Agrarian Reform Program may lead to considerable changes in land use pattern and socio-cultural characteristics. The LTTT titling program, in particular, may provide an important incentive for small farmers to improve pastures and invest in soil conservation. Some of these changes may also be unsound. Soil conservation practices identified under AID financed Small Farmer Natural Resources Management Project (519-0217) are expected to be extended on a large scale in a follow-on project. This is regarded as the most effective means of dealing with these potential long range problems. Population densities, land use planning and the attendant environmental implications, are the focus of the beneficiary broadening component of this project. AID assistance is expected to identify potential future problems and create an information base and analytical capacity for dealing with them.

The Ministry of Agriculture and Livestock will play an important coordinating role in the project. It has had considerable experience in evaluating the environmental consequences of various agricultural production patterns and practices. CENIA and the Directorate General of Renewable Natural Resources are the principal MAG units responsible for conservation and environmental research and programming.

IV. IMPACT IDENTIFICATION AND EVALUATION

<u>Impact Areas & Sub-areas</u>	<u>Impact Identification & Evaluation</u>
A. <u>Land Use</u>	
1. Changing the character of the land through:	
a. Increasing population	M
b. Extracting natural resources	N
c. Land clearing	L
d. Changing soil character	N
2. Altering natural defenses	L
3. Foreclosing important uses	N
4. Jeopardizing man and his works	N
5. Other factors	N

B. Water Quality

- 1. Physical state of water N
- 2. Chemical and biological states N
- 3. Ecological balance N
- 4. Other factors. N

C. Atmospheric

- 1. Air additives N
- 2. Air pollution N
- 3. Noise pollution N
- 4. Other factors N

D. Natural Resources

- 1. Diversion, altered use of water N
- 2. Irreversible, inefficient commitments N
- 3. Other factors N

E. Cultural

- 1. Altering natural symbols N
- 2. Dilution of cultural traditions L
- 3. Other factors N

F. Socio Economic

- 1. Changes in economic/employment patterns M
- 2. Changes in population M
- 3. Changes in cultural patterns L
- 4. Other factors N

G. Health

- 1. Changing a natural environment N
- 2. Eliminating an ecosystem element N
- 3. Other factors N

H. General

- 1. International impacts N
- 2. Controversial impacts N
- 3. Larger programs impacts N
- 4. Other factors N

IV. RECOMMENDATION FOR THRESHOLD DECISION

USAID/El Salvador finds this project is not a major action which will have significant environmental impact. A negative determination is therefore recommended.

Daniel A. Chaij
Director

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OUTGOING
TELEGRAM

PAGE 01 OF 02 ESTATE 127482
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OR OTHER DONOR SUPPORT.

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GCLA-01 GCFL-01 AADS-01 DSAG-02 CH8-01 AGRI-01 RELO-01
PDPR-01 /022 A3

INFO OCT-80 AGRE-00 ED-08 ARA-15 /058 R

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APPROVED BY AA/LAC:EWCOY
LAC/DR:CPEASLEY (DRAFT)
LAC/DR:HDBROWN; CLEONARD
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AGS:

SUBJECT: EL SALVADOR AGRARIAN REFORM PID

1. THE DAEC REVIEWED AND APPROVED THE SUBJECT PID ON MAY 6, 1980. HOWEVER, BECAUSE OF CONCERNS RAISED OVER (A) THE PID'S INCOMPLETE DESCRIPTION OF THE OVERALL AGRARIAN REFORM PROGRAM, (B) THE RELATIONSHIP BETWEEN THE CAMPESINO OWNED ENTERPRISE AND LAND TO THE TITLER COMPONENTS AND (C) THE PROPOSED AID DEVELOPMENT STRATEGY IN THE SECTOR, THE MISSION IS REQUESTED TO PREPARE A SUPPLEMENTAL REPORT (SR) PRIOR TO PP SUBMISSION. THIS REPORT SHOULD BE BRIEF AND IT CAN BE SUBMITTED TO AID/W WITHOUT A MISSION REPRESENTATIVE. THE REPORT SHOULD PROVIDE THE FOLLOWING INFORMATION, ALL OF WHICH WILL FORM BASIS FOR BACKGROUND AND STRATEGY SECTION OF EVENTUAL PROJECT PAPER:

(A) REFORM PROGRAM. THE REPORT SHOULD CLEARLY DESCRIBE THE GOVERNMENT'S TOTAL AGRARIAN REFORM PROGRAM AND ELEMENTS OF EACH REFORM COMPONENT. POSSIBLE LINKAGES OR OVERLAPS BETWEEN THE COMPONENTS SHOULD BE DISCUSSED AND BENEFICIARIES FOR EACH COMPONENT SHOULD BE IDENTIFIED. TO EXTENT POSSIBLE SR SHOULD INCLUDE A BRIEF DESCRIPTION OF PROGRESS TO DATE IN IMPLEMENTATION OF AGRARIAN REFORM PROGRAM.

(B) -----IMPLEMENTATION CONSTRAINTS. AFTER DESCRIBING TOTAL AGRARIAN REFORM PROGRAM, THE REPORT SHOULD SUMMARIZE MAJOR CONSTRAINTS TO SUCCESSFUL IMPLEMENTATION OF THE REFORM. OBJECTIVE OF THIS ANALYSIS WILL BE TO IDENTIFY MAJOR BOTTLENECKS AND AREAS OF PRIORITY FOR AID ASSISTANCE. ALTHOUGH EMPHASIS SHOULD BE ON FINANCIAL REQUIREMENTS -- E.G., CREDIT, LAND ACQUISITION, AND OPERATING COSTS -- MISSION SHOULD ALSO CONSIDER PROBABLE PERSONNEL AND INSTITUTIONAL CONSTRAINTS. IN EXAMINING FINANCIAL REQUIREMENTS OF REFORM, MISSION SHOULD ALSO LOOK AT GOES CAPACITY TO MEET REQUIREMENTS AND LIKELY GAPS TO BE COVERED BY AID AND/

(C) AID DEVELOPMENT STRATEGY. CONCERN WAS EXPRESSED THAT AID RESOURCES BE PROVIDED IN A MANNER THAT WILL CONTRIBUTE TO SUCCESS OF THE ENTIRE PROGRAM RATHER THAN FOCUSING ON INDIVIDUAL COMPONENTS WHICH MIGHT BE SUCCESSFUL EVEN THOUGH OVERALL PROGRAM FLOUNDERS. IN DEALING WITH THIS CONCERN, THE REPORT SHOULD DISCUSS THE MISSION'S STRATEGY FOR ASSISTING THE REFORM, INCLUDING MISSION PLANS FOR THE IMMEDIATE TERM AS WELL AS THE LONG-RUN. THE FOCUS OF STRATEGY STATEMENT SHOULD BE ON RELATIONSHIP OF AID INPUTS TO MAJOR CONSTRAINTS/BOTTLENECKS IMPEDING SUCCESSFUL IMPLEMENTATION OF OVERALL AGRARIAN REFORM PROGRAM. BRIEF DESCRIPTIONS OF PROPOSED ACTIVITIES SHOULD ALSO BE PRESENTED ALONG WITH A RATIONALE FOR THEIR SELECTION. IN PARTICULAR, THE ROLE OF AIFLD AND UCS SHOULD BE DISCUSSED, AS WELL AS POSSIBLE ACTIVITIES INVOLVING OTHER PVOS AND OPERATING CAMPESINO ORGANIZATIONS. TO THE EXTENT POSSIBLE, LINKAGES BETWEEN ACTIVITIES SHOULD BE MENTIONED AND ESTIMATED COSTS SHOULD BE DISCUSSED.

2. THE FOLLOWING GUIDANCE IS PROVIDED TO ASSIST THE MISSION IN PREPARING THE PP:

(A) CAMPESINO OWNED ENTERPRISES. THE DETAILED DESCRIPTION OF CAMPESINO ENTERPRISES IN THE PP SHOULD DEAL WITH THE FOLLOWING KINDS OF QUESTIONS. TO THE EXTENT POSSIBLE, INFORMATION SHOULD BE PROVIDED ON EXPERIENCE TO DATE IN ADDITION TO DESCRIPTIONS OF HOW THINGS ARE SUPPOSED TO WORK ACCORDING TO VARIOUS DECREES. WHAT IS THE ORGANIZATIONAL STRUCTURE OF THE ENTERPRISES AND HOW ARE THEY TO BE MANAGED? HOW WILL THE CAMPESINOS PARTICIPATE IN THE OPERATIONS AND PROFITS OF THE ENTERPRISES? WHAT OWNERSHIP RIGHTS WILL THE CAMPESINOS HAVE IN THE ENTERPRISES AND WHAT LEGAL SYSTEMS WILL BE SET UP FOR TRANSFERRING SUCH RIGHTS? WHAT IS ISTA'S ROLE IN MANAGING THE ENTERPRISES AND IN PROVIDING TECHNICAL ASSISTANCE AND TRAINING? HOW WILL CREDIT BE

PROVIDED TO THE ENTREPRISES AND HOW IS THE INTEREST CHARGED ON THEIR LOANS REFUNDED TO THEM? WHAT IMPACT ON LABOR ABSORPTION ARE THE ENTERPRISES EXPECTED TO HAVE? IN PARTICULAR, ARE THEY EXPECTED TO ABSORB SIGNIFICANT NUMBERS OF THE LANDLESS POOR? IF SO, WILL THE ENTERPRISES' PRESENT FARMING TECHNOLOGIES AND/OR CROP PATTERNS BE ALTERED? HOW WILL THE INFORMATION DEVELOPED UNDER THE AGRARIAN REFORM PLANNING AND EVALUATION ACTIVITY BE DISSEMINATED AT THE CAMPESINO LEVEL AND BE INCORPORATED INTO ENTERPRISE INVESTMENT DECISIONS?

(B) LAND TO THE TITLER. ALTHOUGH THE LAND TO THE TITLER COMPONENT IS INTENDED TO BE SELF-EXECUTING, INPUTS OF TECHNICAL ASSISTANCE, TRAINING, MARKETING ASSISTANCE AND CREDIT WILL BE REQUIRED. THE PP SHOULD DESCRIBE THESE INPUT REQUIREMENTS AND HOW THEY WILL BE PROVIDED, INCLUDING THE ROLES AIFLD, AND THE VARIOUS GOES IMPLEMENTING AGENCIES WILL PLAY IN PROVIDING THEM. FINALLY, THE RIGHTS OF THE CAMPESINOS WHO RECEIVE LAND UNDER THIS COMPONENT SHOULD BE DISCUSSED, AND WHETHER APPROPRIATE STEPS ARE BEING TAKEN TO ENSURE THAT CLEAR TITLE IS TRANSFERRED IN A TIMELY MANNER. A DESCRIPTION OF THE LEGAL MACHINERY TO BE ESTABLISHED TO CARRY OUT THE TITLING PROCESS SHOULD BE INCLUDED IN THIS DISCUSSION.

(C) FINANCIAL REQUIREMENTS. THE PP SHOULD EXPAND UPON THE FINANCIAL DISCUSSION INCLUDED IN THE SR. THE ASSUMPTIONS UPON WHICH FUNDING ESTIMATES ARE BASED SHOULD BE FULLY DESCRIBED. IN PARTICULAR, ASSUMPTIONS ON THE PROJECTED INCREASE IN DEMAND FOR CREDIT SHOULD BE EXAMINED. THE FINANCIAL RESOURCES OF THE GOES AS WELL AS THE SOURCES OF SUCH FINANCING SHOULD BE IDENTIFIED. THE POTENTIAL

WFB Olson

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OUTGOING ANNEX I-F
TELEGRAM Page 2 of 2

PAGE 02 OF 02 STATE 127482

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FOR OBTAINING FINANCING FROM INTERNATIONAL SOURCES OTHER THAN AID SHOULD BE EXPLORED.

(D) CAMPESINO ORGANIZATIONS. CURRENTLY, THE MISSION IS PROPOSING TO WORK WITH THE UCS AND THE CAMPESINO GROUPS ORGANIZED AROUND THE ENTERPRISES. DURING PP DEVELOPMENT, THE MISSION SHOULD EXAMINE THE FEASIBILITY OF UTILIZING OTHER CAMPESINO/GRASS ROOTS GROUPS IN THE REFORM EFFORT IN ADDITION TO THE AFOREMENTIONED GROUPS.

(E) TRAINING. THE PID PROPOSES A THREE PHASED TRAINING PROGRAM WHICH DEVOTES CONSIDERABLE RESOURCES FOR TRAINING PUBLIC SECTOR EMPLOYEES. DURING THE INTENSIVE REVIEW THE MISSION SHOULD RE-EXAMINE THE RATIONALE FOR DEVOTING SCARCE TRAINING RESOURCES TO THESE INTERIM PUBLIC SECTOR MANAGERS. ALSO, DURING INTENSIVE REVIEW THE MISSION SHOULD

EXAMINE THE CAMPESINO TRAINING ACTIVITY TO INSURE THAT SUFFICIENT FOLLOW-UP TRAINING IS PROVIDED TO EQUIP THE CAMPESINOS FOR THEIR NEW LEADERSHIP ROLES. THE CAPACITY OF CENCAP SHOULD BE EXAMINED TO INSURE THAT IT CAN CARRY OUT THE TRAINING ACTIVITY. IN PARTICULAR, THE QUALITY OF CENCAP'S PERSONNEL WHO CARRY OUT THE TRAINING IN THE FIELD SHOULD BE EXAMINED TO INSURE THAT THEY UNDERSTAND THE CAMPESINOS AND CAN RELATE TO THEIR PROBLEMS. IN ADDITION, THE FEASIBILITY OF UTILIZING OTHER PUBLIC OR PRIVATE SECTOR INSTITUTION THAT COMPLEMENT THE SKILLS OF CENCA TO CARRY OUT SOME OF THE TRAINING SHOULD BE CONSIDERED. FINALLY, IT WAS SUGGESTED THAT TRAINING PROGRAMS OF THE NATIONAL TRAINING SERVICE (SEKA) IN COLOMBIA AND THE NATIONAL TRAINING AND RESEARCH CENTER FOR AGRARIAN REFORM (CENCIRA) IN PERU BE EXAMINED AS POSSIBLE MODELS FOR THE PROPOSED TRAINING PROGRAM.

(F) GOES INSTITUTIONAL STRUCTURE. THE GOES RECENTLY ANNOUNCED THE SECOND AGRARIAN REFORM COMPONENT, THE L1 TO THE TILLER PROGRAM. YET, MANY OF THE GOES INSTITUTIONS ASSOCIATED WITH AGRICULTURE DEVELOPMENT ARE ALREADY SEVERELY STRAINED DEALING WITH THE FIRST COMPONENT AND ACTIVITIES UNDER THE GOVERNMENT'S ACCELERATED IMPACT PLAN (AIP). THE PP SHOULD EXAMINE THE INSTITUTIONAL CAPACITY OF THE GOES VS THE DEMANDS THAT WILL BE PLACED ON IT AS A RESULT OF THE REFORM SECTOR PROGRAMS AND THE AIP. SINCE SUCCESSFUL IMPLEMENTATION OF THE REFORM WILL REQUIRE A WELL COORDINATED EFFORT ON THE PART OF THE AGRICULTURE INSTITUTIONS, THE PP SHOULD ALSO EXAMINE HOW SUCH COORDINATION WILL BE ACHIEVED.

(G) PROJECT PROCUREMENT. THE MISSION SHOULD CLOSELY REVIEW ITS PLANNED REQUESTS FOR BUDGET PROCUREMENT WAIVERS. WAIVERS SHOULD BE REQUESTED FOR ONLY THOSE ITEMS THAT ARE ESSENTIAL TO THE RAPID IMPLEMENTATION OF THE PROJECT. SER/COM IS WILLING TO ASSIST THE MISSION IN DEFINING ITS REQUIREMENTS.

3. IN ORDER TO ASSIST MISSION IN PREPARING NECESSARY AGRARIAN REFORM PROJECT DOCUMENTATION, AID/M WILL ATTEMPT TO PROVIDE ANY AND AS MUCH TDY ASSISTANCE AS MISSION REQUIRES. PER CONVERSATIONS WITH CHAIJ, FIRST TDY TEAM OF SCAFF BROWN, SHERPER, SCHOUTEN, AND PEASLEY WILL ARRIVE O/A MAY 18 TO ASSIST WITH SR AND PP. ETAS WILL BE SENT BY SEPTEL. PLEASE ADVISE ANY ADDITIONAL REQUIREMENTS.
CHRISTOPHER

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SOCIAL ANALYSIS
A FEW COMMENTS ON LAND TENURE
AND THE COURSE OF AGRARIAN REFORM
IN EL SALVADOR

By Mac Chapin
June 1980

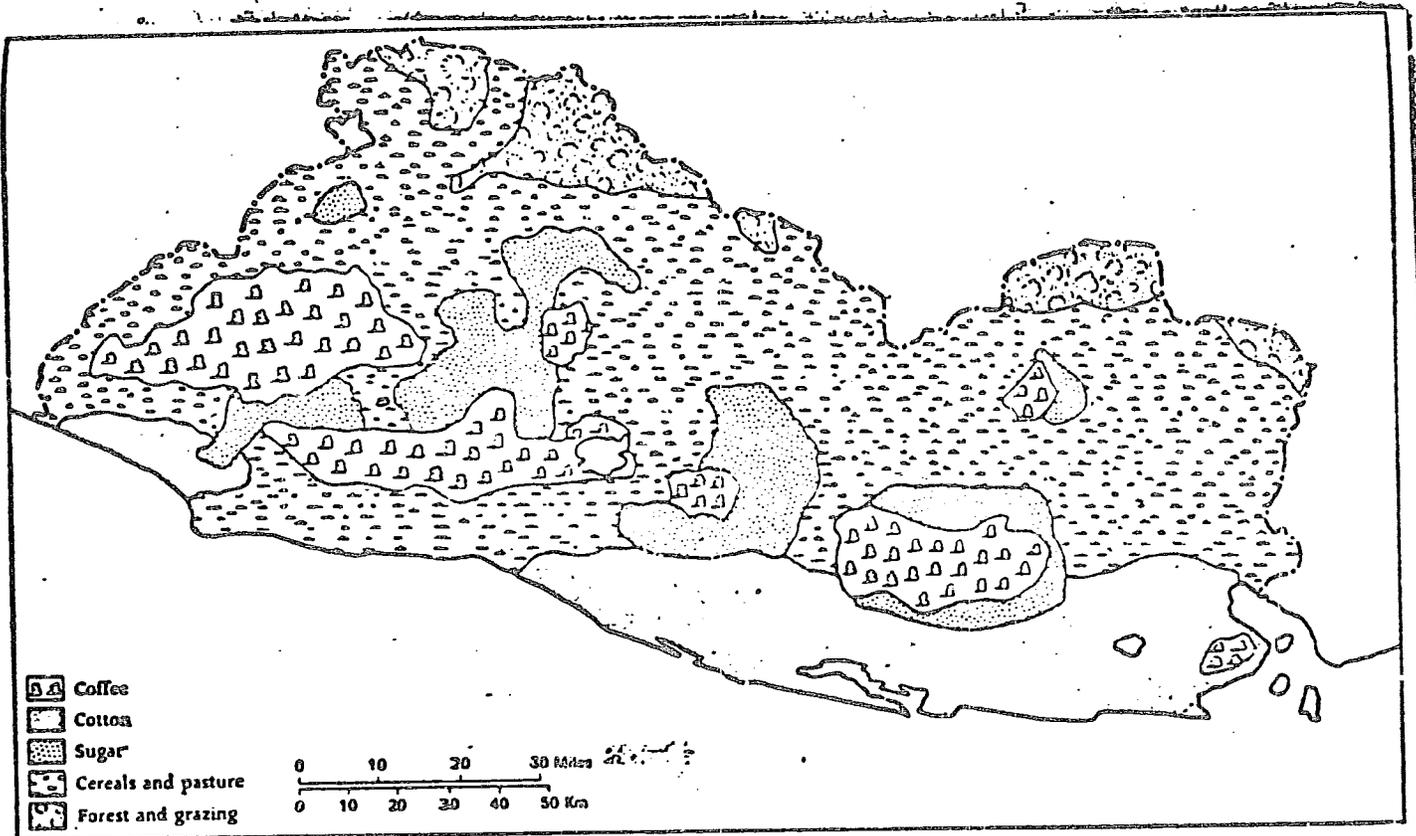
The need for drastic land reform measures in El Salvador has been brought about by the convergence of two factors: (1) rapid population increase on a small and non-expandable land surface, and (2) an extremely skewed pattern of resource distribution. According to the 1971 census, 4,317,666 people were spread across 21,041 Km.2, giving the country an average population density of slightly more than 200 people per Km.2. This constitutes the highest population density in Latin America. Against this demographic background there exists an acutely unequal distribution of resources. At the top end, slightly more than 1% of the total number of farm exploitations hold close to 50% of the agricultural land.⁽¹⁾ In 1961, there were 125 estates of more than 1,000 has. (White 1973:33). At the bottom extreme, 70.7% of the total number of farms were smaller than 2 has., and 86.7% had less than 5. has. of land. To these figures must be added the large population of rural landless poor. They have increased in number from 11.8% of the total rural population in 1950 to 40.9% in 1975 (Burke 1976:480).

The pressures on available resources have reached the point where El Salvador's traditional economic structures have been pushed to the breaking point. Poverty, nutritional deficiencies and un- and underemployment have been accentuated beyond the human tolerance level for the bulk of the country's population, and the result has been escalating socio-political tensions and widespread open conflict. The present Agrarian Reform project is an attempt to rectify this rapidly deteriorating situation -- although it is the bleak opinion of many Salvadorans that it has come 20 years too late.

THE AGRARIAN PICTURE

El Salvador's Agricultural landscape is dominated by large haciendas of coffee, sugar cane and cotton which cover the most fertile lands of the central volcanic ridge and the flat plains running along the coast (see map, Pg. 2). These estates, which vary greatly in size and level of technological sophistication, are generally run in an autocratic fashion by a patrono who employes a permanent body of managerial and service personnel along with a sizable number of agricultural workers called colonos. Colonos live within the boundaries of the estates with their families, performing the bulk of the agricultural labor, in exchange for wages and services offered by the patrono. Until recently they were remunerated for their work with small plots of land on which they could plant subsistence crops, and other miscellaneous benefits the patrono would offer. This system, however, has been modified in recent years and cash payment for colono services has largely supplanted the more traditional types of transactions.

(1) The concentration of land is even more severe if it is realized that single people and families frequently own several properties. Furthermore, this is usually the best agricultural land in the country.



Agricultural Regions

from Browning 1971:248

In 1965, government legislation designed to fix minimum wages for rural laborers attempted to abolish colonaje (or colonia) and all other forms of tenure arrangements which were considered "feudal" (Browning 1971:261). Colonos are now paid wages for their work, and in some cases they are charged a flat rate - which may be either cash or part of the harvest - for the use of small plots of land, usually no more than 1 or 2 manzanas, for subsistence crops. On a number of farms which have expanded cash crops considerably over the past few decades there is little unused land for colonos, and this practice has stopped almost entirely. But there is a strong desire among colonos to farm their individual plots and throughout most estates they can be seen carving out their milpas and planting on steep hillsides bordering the productive land used by the patrono for his cash crops. The legislation of 1965, while at least partially ignored on some of the more traditionally run estates, has had the effect of reducing the number of colonos throughout most of El Salvador. Browning, writing only a few years after the law was passed, noted this trend, and during the intervening years it has continued. Before 1965, it was no great burden for the estates to carry more people than needed to satisfy labor requirements. But this practice became untenable when cash wages were stipulated, and most patronos have reacted by cutting the number of colonos to the minimum, and seeing to the harvest with unattached landless laborers and small farmers from the surrounding countryside. Although statistical data are weak, the official census of 1971 noted a drop in the number of colonos from 55,769 to 17,019 over a ten year period (Burke 1976:66). The number of colonos in Usulután, which is a region of large cotton farms, has been reduced over the past two decades by 94.3% (Rodríguez McCall and Reyes 1979:3). This flushing of colonos from the large (and medium sized) estates has been a prime factor in the increase of El Salvador's landless poor.

The land not encompassed by the large estates is taken up by an assortment of medium-sized farms interspersed with a staggering number of micro-plots belonging to small property owners and renters. Land used by these two latter groups can be seen everywhere dotted about the hill slopes of El Salvador. In fact, just about everywhere that cash crops have not been planted -- in other words, on marginal agricultural land - the hand of the subsistence farmer, be he owner, renter or squatter, can be seen.

The three phases of the government's agrarian reform program will bring about a drastic modification of the economic and social life of El Salvador's rural population, rich and poor alike. The process has already begun, and in a very real sense it is "irreversible", as its promoters claim. This is not to say that it will move forward smoothly, or even stumblingly, to an adequate solution of El Salvador's present problems, which are numerous and profound. But things have already changed, and to attempt a clearer understanding of the difficulties being faced and how they are being and might be dealt with, it would be wise to explore El Salvador's agrarian panorama in a bit more depth. (1)

(1) For a much more thorough treatment of this subject, the interested reader should consult Browning 1971, Colindres 1977 and White 1973.

COFFEE

Coffee is found stretching across the higher reaches of El Salvador's central volcanic chain, with the most extensive cultivation in the western departments of San Salvador, Santa Ana, Sonsonate and La Libertad. In 1931, coffee represented 95.5% of El Salvador's total exports. Although coffee's importance has dropped since then - in 1971 it made up only 40.5% of the country's exports - it has been a thoroughgoing economic factor behind El Salvador's economic development in this Century (Browning 1971:222; Colindres 1977:66). During the 1940's,

Coffee was king: it earned the country's foreign exchange, paid for its imports, provided the revenue for central and local government, financed the construction of roads, ports and railways, gave employment -- permanent or seasonal -- to a large part of the population and made the fortune of few (Browning 1971:222-223).

Despite its decline in relative importance, coffee is still the major agricultural crop in El Salvador. In 1969, 14,439 coffee farms were recorded (Colindres 1977:68), with an average size of 3.8 has. per farm (White 1973:116). This latter figure, however, does not take into account the extremely unequal distribution of land among coffee farmers. Over 50% of El Salvador's coffee is produced on farms of over 100 has., and a mere 90 producers individually sell 5,000 quintales and above annually. At the other end, close to 10,000 of the country's 14,439 coffee growers produce 25 quintales or less (Colindres 1977:68).⁽¹⁾

Farms of less than two or three has. cannot adequately support a family of 6 people; and throughout the coffee regions of El Salvador many of these farms harbor two or even three families. As the population grows, the small farms are becoming even more fractioned. Most of these people are forced into the seasonal labor market to supplement their incomes, and they commonly rent small plots nearby to plant basic grains, wherever land is available (land for coffee production itself is only rarely rented; what spare land that remains in coffee areas is usually unsuitable for coffee, and is thus extremely marginal). The labor employed on these small farms is usually familial; only occasionally, when the family is unable for one or another reason to provide the needed labor inputs, neighbors in a more precarious economic predicament are hired.

(1) The inequality of benefits is even greater than these statistics indicate. White notes that "It is the large estate owners who are also coffee processors and exporters; and the processors lend working capital to the smaller producers. At the bottom end of the scale, the smallest growers are very often forced by their poverty to sell their future crop before the harvest for a price well below what it will fetch at harvest time, often for as little as half the price. (Sometimes less than half the normal price). The buyer is usually a large grower or processor." (White 1973:123).

Coffee farms of medium size - 20 to 100 has. - are generally worked with paid labor, and usually have a small number of colonos living on the property to guard the crop and to carry out year-round tasks. Extra help at harvest time is picked up from nearby small farmers and landless laborers. The owners of these farms only rarely live on the property, preferring to reside in nearby cities, and in some cases, in San Salvador. Parts of these farms which are not apt for coffee may be rented to local people for the cultivation of basic grains.

The largest haciendas, some of which stretch across several mountain tops, are invariably owned by absentee landlords, many of whom spend a good deal of their time abroad. (This fact made it relatively easy for ISTA to take over many large farms without difficulty. Had more of them been in El Salvador, they may have put up more active resistance). The largest coffee haciendas -- some of which also grow sugar cane in the lower sections of the farm, and have pasture for cattle -- cover a diverse range with regard to physical and social conditions. Some are equipped with modern, sophisticated coffee processing plants (beneficios), an efficient management system of upward of 100 employees, and relatively adequate living quarters for the colonos. Others are semi-medieval, with ancient, rundown machinery, inadequate management personnel, and deplorable facilities for the colonos. Where the patrono spends a good portion of his time on the hacienda, usually on weekends and during the harvesting season, his living quarters (called the casco) are often opulent and well maintained. Many coffee haciendas, however, are only infrequently visited by the patrono and his family, and his interest in the estate is limited to the products he extracts. Kept in minimal working conditions, the physical installations receive poor maintenance and are often semi-antiques. The colonos, who are always kept some distance from the patrono's reach, are of little concern as long as they behave themselves and get along with their work.

Although there have been attempts to eliminate the system of colonaje (or colonia), and the number of colonos has been substantially reduced over the last 15 years, they are still very much in evidence throughout the coffee regions. One change, already mentioned above, has been that they are now paid wages, for the most part, rather than food and certain fringe benefits.

Throughout the coffee regions, with the large and medium size estates dominating the landscape, there are increasing numbers of micro-minifundistas and landless people. Many of these people were former colonos who have been dismissed from the estates; many are the result of run-away population growth and the consequent fragmentation of already small farms. The central highlands comprise the most densely populated region of El Salvador, and with the lack of good land in other sections of the country, they are often forced to stay where they are, adding to the demographic crunch each year. Lining the roads skirting the large estates are colonies of desplazados (displaced people, families without land) living in sub-human conditions and without hope. These people, who are lucky to gain occasional permission to rent land on the adjacent haciendas, depend almost entirely on seasonal labor which leaves them without more than occasional scraps during a large part of the year.

SUGAR CANE

Sugar cane is grown throughout the central highlands, encroaching on the north and the south along flat land and rolling hills that are too low for coffee. Some haciendas in this region grow both coffee and sugar cane, each crop being adapted to its respective elevation. In 1971, 17.5% of all the land cultivated with sugar cane was held by farms under 10 has., a decline of 3.75% from 1961 (Colindres. 1977:74). Virtually all of these small farms are owned property; sugar cane takes more than a year to mature and may be cropped several times before being replanted, and is thus semi-permanent. (White 1973: 157, footnote 35). Sugar cane grown on small farms is not as profitable as coffee, and much of it is grown solely for family consumption. It may be processed at a traditional trapique (sugar mill), which is either driven by motor or oxen; but this technology is disappearing, and small producers now occasionally sell what little they grow to the commercial refineries.

The large sugar estates often have a processing mill standing on the focal point of the hacienda. Many of these are relatively modern, as sugar cane has only become important in El Salvador since the early 1960's (White 1973:131). These installations, if they are large, are run by a permanent body of laborers, who receive help during the harvest from workers picked up from the neighboring countryside. The permanent laborers occasionally belong to a union, and are active, if local circumstances allow, in campaigning for better working conditions and high pay.⁽¹⁾ In contrast to the Ingenio* laborers are the colonos of the estates and the agricultural workers taken in during seasons of peak labor demand. They form a class apart from the unionized employees (where these exist), and do not participate in the right to organize themselves in unions.

In conformance with the countrywide trend to decrease colonaje over the past 15 years, there are fewer colonos on the sugar cane plantations than before. As in the coffee areas, these ex-colonos have formed clusters of houses lining the roads around the estates. In one area a short distance from San Salvador, long, semi-continuous strings of houses made from every conceivable scrap of cast-off material can be seen running a precarious line along the borders of three contiguous estates (all of which have been inter-vened by ISTA). They are separated by barbed-wire fences from the estates, leaving the families that occupy them a strip barely 25 feet wide on which to live. Most of the older people were once colonos; some have drifted from other, more economically precarious zones of the country. Few have access to land they can rent to plant corn, beans and sorghum. They live hand to mouth, working on the plantations when there is a chance; they sometimes migrate to the larger population centers to find jobs; and many -

(1) The workers in these sugar mills are not classed as agricultural laborers, and are therefore legally permitted to form unions. Even so, "...only about ten percent of El Salvador's non-agricultural workers (Rural and Urban) are unionized." (Department of State 1980:320).

especially the women - pick up extra cash from occasional odd jobs. It is not known how many Salvadorans live in such tenuous conditions, although it is evident that their number has been increasing steadily in recent years.

COTTON

Cotton is grown exclusively on the coastal lowland strip, with the greatest concentration of farms lying in the central and eastern regions. While cotton has been cultivated for centuries in El Salvador, it only began to gain importance in the national economy during the years preceding the Second World War (Browning 1971:229). The late economic blossoming of El Salvador's coastal region, which was at the turn of the century carpeted with luxuriant jungle growth,⁽¹⁾ was made possible by the development of insecticides (which gave man control over the coast's large insect reserve) and drugs that effectively kept diseases such as malaria and yellow fever in check (Browning 1971:229-230).

The amount of land in cotton has grown rapidly during the past 30 years; in 1964-65, over 120,000 has. were planted with cotton (Ibid:234); and in 1971 cotton made up 12.7% of El Salvador's total exports (Colindres 1977:66). At the same time, however, the area planted with cotton fluctuates radically from year to year, following world cotton prices, and since the late 1960's the excessive and irresponsible use of insecticides -- which from 1965 - 1967 comprised up to 45% of total production costs (White 1973:129) -- has been cause for serious alarm.⁽²⁾

In the early 1960's, only about 5% of the cotton crop was grown by farmers with less than 10 manzanas, most of which was rented land. At the other extreme, 55% of the cotton was produced on farms of 100 manzanas or larger (White 1973:133). Labor requirements are low for cotton, while capital inputs are high, a fact which effectively excludes most small producers who have difficulty securing credit. Another consequence is a smaller number of permanent colonos on the cotton estates than on those devoted to coffee and/or sugar cane.

As cotton plantations expanded along the coast, they pushed out cattle ranchers and small subsistence farmers, altering the social organization and economy of the area. According to Browning:

(1) Today, virtually all of this vegetation has disappeared, and all that remains is an occasional isolated tuft of jungle.

(2) In the areas of heavy spraying, much of which is done by small planes, the people living on or near the farms are constantly exposed to poisonous insecticides. As this situation is seldom publicized, it is not known how many human lives are lost as a result of the spraying. There is, however, always an abundance of rumors of death, blindness and other ailments in the cotton region, and the people are generally unable to keep animals around their homes.

Changes of land use were accompanied by changes in the function and character of the hacienda. The coastal hacienda's traditional organization, based on cattle and tenant farming, was replaced by a monocultural plantation system operated by permanent paid workers and hired seasonal laborers. As the operation of a cotton plantation, apart from picking the fiber, is generally fully mechanized, the labor requirement is for a small, semi-skilled, resident work force. The practice of allowing a colono to use a piece of land on the estate in part exchange for his labor was discontinued, and the tenant-farming of subsistence crops decreased as the value of land increased and the area of unused land diminished. Leases to present cultivators were not renewed and squatters were evicted. The majority of these dispossessed and landless families are unable either to continue their accustomed subsistence cultivation or to become cotton growers: in the 1965-6 season the total number of cotton farmers with less than seventeen acres was only 1,142. For most the only opportunity to earn a meagre income is during the short cotton picking season. Those that remain in the area are obliged to settle where they can and form scattered groups of straw huts or caseríos (1971:235-36).

While cotton is predominant on the central and eastern region of the coastal strip, many other crops can be grown there on a commercial scale. One large hacienda near Usulután, with over 3,500 has. and upwards of 2,000 colonos scattered about the estate in 7 or 8 campamentos, (sections) is a good example of how a diversity of crops, many of which are permanent or semi-permanent, can successfully be grown. The hacienda has large plantations of bananas, plantains, cacao, rice and cotton; (1) corn is being grown this year for the first time, although on a modest scale; and there are also small groves of citrus and achiote. The farm includes a herd of over 2,500 cows (most of which are dairy cattle), several large ponds stocked with tilapia and other fish, a chicken farm, and a colony of bee hives. Beyond this, the patrono has built a complex network of salt extracting pools and wooden warehouses to store the crude salt.

The patrono, aside from his restless quest for new enterprises, (2) has also built up over the years a complex management staff and a huge squadron of machines of all sorts, including tractors, planters, sprayers, and harvesters (over 100 mechanics are employed to keep them in running order). A large force of colonos lives permanently on the hacienda, to work in the diverse activities of the enterprise; labor requirements, even with the high degree of mechanization, are much greater than on neighboring plantations specializing only in cotton. The colonies of the workers are generally made up of clusters of adobe

(1) Actually, cotton is the dominant crop on this farm, taking up over 2,000 manzanas of the estate.

(2) Perhaps the most bizarre feature of the hacienda is a zoo which includes pumas, ocelots, crocodiles, and African lions. The people now in control of farm, which has been intervened by ISTA, don't know exactly what they will do with these animals. They are presently feeding and caring for them as they had before the agrarian reform took place.

and brick homes with asbestos or tile roofs; they are much more elegant than their counterparts on most of the haciendas in El Salvador, although they could still see improvements. Added to this is a school, located next to the core of buildings in the center of the estate, with classes going up to the ninth grade.

Whether it was done consciously or not, the hacienda provides permanent employment for a large number of people by cultivating a variety of crops needing year-round attention. At the same time, social improvements for the employees and colonos have been made, at least on a reasonable scale in comparison with most other haciendas; and with the potential for large and more or less steady income from the estate's enterprises, these services can be expanded under the direction of ISTA.⁽¹⁾ If it indeed comes to pass that the present ex-colonos, who have until now been excluded from the hacienda's management decision-making processes, begin to take a more active role in economic and social matters, the living conditions of all can be substantially improved. Farms of this sort may serve as models of how coastal enterprises of phases I and II of the Agrarian Reform might be modified to meet the needs of their members. A shift away from cotton would, among other things, increase employment opportunities and simultaneously decrease the use of harmful insecticides.

AREAS OF CATTLE AND SUBSISTENCE CROPS

Much of the land in El Salvador, however, is unsuited for commercial plantations of coffee, cotton, and sugar cane due to poor soils and inhospitable topography. Marginal land is generally covered with expanses of cattle pasture or the tiny plots of subsistence farmers, which are seen everywhere carved out of steep hillslopes. This is the predominant pattern of land use throughout the northern strip of El Salvador. Traveling out of the central volcanic ridge north to the Honduran border, one moves through rolling plains -- where sugar cane is sometimes grown -- into largely infertile, uneven hills cut by rugged gulleys. Browning describes the characteristic features of the northern reaches of El Salvador vividly:

The landscape across the northern highland gives ample evidence of over population and the total failure of attempts to check spontaneous settlement or to regulate its primitive forms of land use: denuded hillsides of bare rock and stone continue to be scratched each year by the peasant's stick and hoe; blackened stretches of burnt forest where scattered maize plants are grown between the skeletons of dead trees; emaciated cattle grazing withered clumps of grass on unwatered slopes; and valleys where riverbeds are choked by the debris of unchecked erosion. (1971:256-257).

(1) Even at this early date in the reform, several steps have been taken in this direction.

An assessment made of Morazán's agricultural potential by the OAS several years ago may be taken as characteristic of much of northern El Salvador:

..... hilly terrain, which because of its broken topography and in many cases rockiness, and low depth of its soils, is not suitable for agriculture, except in very limited areas, and with very primitive methods... (most of this land has) serious problems of erosion, produced principally by the cultivation of short cycle crops such as corn and sorghum (OAS Study, quoted in Grant 1978:23).

Not surprisingly, this is an area of few large haciendas. Those which do exist concentrate on cattle, basic grains, and, in the few places where possible, sugar cane. These haciendas are "tradicional" and unsophisticated in comparison to the more highly mechanized operations of coffee, cotton and sugar cane to the south. What physical structures they have are rudimentary and few in number, consisting of little more than a central home for the patrono- which is often quite elegant - corrals for cattle, and a collection of crudely built, rustic offices and storehouses for materials and harvested crops.

Because of the inhospitable terrain, most of the landscape of the North is in the hands of small and small-medium farmers. In fact, the number of small properties has increased in some departments during recent years at the expense of the larger estates (Browning: 1971:267). Most of the farming on these small plots is carried out by simple slash-and-burn, shifting cultivation techniques, with the principal crops being basic grains. Although the population of the North is not as dense as in the Central highlands, there is severe pressure on the land - determined in part by the poor quality of the soils and the ruggedness of the land surface - and as many as 50% of the small farmers are renters.

The situation of El Salvador's small farmers and landless poor, whether they be found in the marginal lands of the northern border, interspersed among the large estates of the coffee and sugar cane regions of the central mountains, or along the flat coastal plains, is tenuous by any standard of measure. Throughout El Salvador the rural peasant is increasingly forced to marshal a variety of strategies to keep his family alive, and it is common for small property owners to rent additional plots for basic grains and spend part of the year in search of paid labor. According to White (1973:135):

Campesinos cannot be neatly classified into categories as owners, share croppers, renters, colonos, and laborers. They do not remain permanently in the same category, and they often work one piece of land under one arrangement and another under another, within the same season. Indeed, many express a preference for variety, at least from time to time, and this is probably part of the reason why much of the work force is highly mobile, almost "nomadic".

Seasonal wage labor has become an integral part of the subsistence strategy of most of El Salvador's poor rural population. A vast majority of

the small farmers work their subsistence plots from May through August or September, and spend the remaining months of the year as wage laborers on the large estates or scrounging for work in the cities and towns. The harvest taken from a farm of 2 or 3 manzanas is simply not adequate for a family of between 5 and 10 people, and must be supplemented with money or produce from other quarters. Furthermore, where rented land is paid for with money, and fertilizer and improved seed are used, the need for cash is even greater. At the present time, more than half of El Salvador's rural population depends on wage labor for over 50% of its total income; and this figure would be much higher if greater employment opportunities existed (Burke 1976:480). The implications of this pattern of migrant wage labor for the Agrarian Reform program will be discussed later in the report.

RENTERS (ARRENDATARIOS) - Beneficiaries of Decree No. 207

One of the most striking features of El Salvador's agrarian landscape is the extraordinary number of farmers who work on rented land. It is estimated that more than 50% of small farmers rent land each year to plant basic grains (although there is a small amount of land on the coast where small renters plant cotton). No reliable statistics exist on the number of agricultural renters. It is being said by some that there are approximately 150,000 people in El Salvador who rent land for farming. However, according to the official census of 1971, which included several different categories of renter (including colonos), the number of rented properties was 117,815 (Colindres: 1977:34).⁽ⁱ⁾

Confusion on this matter is understandable. Few rental contracts are formalized in writing, and it is probable that many would easily escape the census taker's attention. Rental agreements are generally made verbally between renter and land owner a month or two before the planting season; and payment for land use rights, whether in cash, promise of part of the harvest (called censo), or some other form, is only rarely legalized with a written receipt. Furthermore, there is such a variety of possible rental arrangements that many could easily be missed by even the most alert investigator. Some rural people make cooperative agreements with neighbors, taking part of the harvest in return for their labor; others exchange services or goods for land use rights. It is also common for farmers to "borrow" land from relatives. Some small renters use land belonging to neighbors with plots of no more than 2 manzanas; some rent on medium-sized estates; and others rent land on the large haciendas. It is entirely possible that renters on the large estates would either be missed altogether or lumped with the colonos working the same type of land. In any case, it is likely that the census figures are lower than the reality. All that can be said is that the number of renters is high, and it has been increasing rapidly over the last two decades.

The average size of rented plots in 1971 was less than 2 has.; but this figure is deceptive, for it includes a number of agricultural operations renting farms in excess of 50 has. -- and sometimes much larger -- for the production of cash crops such as cotton and rice (a pattern common on the coastal plain). In reality, most renters have access solely to very small plots of land. For example, in a study of a rural municipality in Chalatenango it was found that

(1) Note that this figure is somewhat bloated because it includes colonos (which the 1961 census excluded). At the same time, it does not include a variety of rental and squatting arrangements which, if included, would raise the total substantially. This gives an indication of the confusion existing in census statistics.

the average size of rented plots was slightly over 1 manzana (0.7 ha.); and fully 2/3 of all farm land in the area was rented (Lardé and Jacio 1980:24). In another study of the Región Oriental (comprising San Miguel, La Unión, Morazán, and Usulután) it was discovered that 62% of the renters worked plots ranging from 1/4 to 1 ha. (Rodríguez McCall and Reyes 1979:11). My findings, which were collected in several Departments of differing agricultural potential, crops, and farming systems, indicate that this general pattern of small rented plots of 1 ha. or less is extremely widespread throughout the country.

Among the group denominated "renters" there are various terms, some of which reflect regional linguistic variation, others of which refer to the nature of the rental arrangement and/or the status of the renter.⁽¹⁾ The custom of paying for land use rights with part of the harvest has declined to some extent in recent years, as more and more peasants work their way into the cash economy. Many campesinos still make censo transactions, but most of those I talked with said they preferred paying outright in cash, for that terminated their obligations to the landlord. The broadest term for renter is arrendatario -- although this usually refers to someone who pays cash for rental. For the sake of clarity, I will use this term in the following pages, with the understanding that I also mean to include aparceros, cencistas, and medieros. The term colono, which has already been discussed, is a separate category and is therefore excluded.

The renters who will be most strongly affected by the "Land-to-the-Tiller" component of the reform (Decree 207) are those I have broadly called arrendatarios. They are not tied permanently to estates, and customarily plant basic grains during the agricultural season (roughly from May through August-September) and perform wage labor during the remaining months of the year.

Small arrendatarios - who make up the vast majority of renters - pay for the use of a tiny plot of land for a single planting season in cash, with a portion of their expected harvest, or by means of some other arrangement. Rental contracts, as mentioned above, are only occasionally written; they seldom consist of more than a verbal agreement, and no signed receipt of the transaction is made. Although the government has made several attempts to regulate the price paid for rented land by means of official legislation, there has been widespread neglect of these measures. The price is generally set by the landowner, regardless of what the law might say. Furthermore, there are no standardized regulations governing the relationship between renter and property owner, and the renter has no guarantees or rights which can be negotiated legally. Agreements made between renters and neighboring minifundistas are,

(1) Some of these terms are terrajeros, aparceros, cencista and mediero. Aparcero (from parcela: "plot") is generally translated as "sharecropper", as he traditionally pays for land use rights with part of his harvest. Cencista is similar; he pays with censo (a portion of the harvest) - as is mediero, who pays with half (media) of his harvest.

of course, dictated largely by personal and social factors. But where small renters make contracts with larger landowners the matter of power - political as well as economic - must be added to the equation. Whenever disputes arise, even if the renter were backed by the law, it would be naive to suppose that he could emerge victorious in a legal suit. In truth, no small arrendatario would ever think of taking such a course of action, for the cards would be stacked against him from the start.

Virtually all the land farmed by small arrendatarios is of marginal agricultural value. (1) It is generally land which is unsuited for commercial crops, either because of poor soil quality or topography inaccessible to farm tractors. Throughout El Salvador during May of each year steep slopes of as much as 60 to 70 degrees can be observed with irregular patches burned clear of vegetation in preparation for planting. On only a limited number of small farm plots planted with basic grains are plows employed to prepare the ground, and these are generally owned rather than rented. Rented land is very seldom planted with permanent crops such as coffee, because of the tenuous nature of the rental agreement.

The marginal quality of most rented farm land makes for a situation in which a system of rotation is predominant. Plots are first cleared of their scant vegetation in April, and when the vegetation has dried sufficiently it is burned. With the first May rains, the initial crops are planted; after these begin to germinate, other crops are added and the field is periodically weeded. Harvesting takes place from late July through September, at which time the field is abandoned. In some of the richer agricultural land of El Salvador, where thick volcanic soils predominate and the topography is not too hilly, crops are planted more or less continuously, year after year on the

(1) Note that 56.7% of El Salvador's land is officially categorized as V, VI and VII class soils. "Some of these (in class V) are in coastal plains and not subject to erosion but require drainage, are subject to flooding, have a high water table or are too shallow to bedrock. Others (in classes VI and VII) are steep, eroded, rocky, or have other limitations to the extent that bringing them into cultivation is impractical and not economical. These are best suited for forestry, pasture and natural vegetation."

24.4% of the land falls into class IV. The land capability of class IV is either:

"Medium quality soils suitable for limited cultivation but subject to erosion. Most require erosion control practice.. Best for perennial crops."

or

"Mostly very steep. Subject to severe erosion, already heavily eroded or rocky. Not suitable for intensive cropping. Adequate for perennial and tree crops, pasture and forest. Some might be used for cultivated crops on a limited basis with the use of terracing, strip cropping, diversion ditches, etc. "(Agricultural Sector Assessment: El Salvador, AID 1977:2)

The vast majority of El Salvador's arrendatarios are farming, IV, V, VI and VI class land.

same plot. But in many areas - such as the bulk of the country to the North - this practice is impossible, and the land must be left fallow for a minimum of one or two years. (According to older informants, fallow periods used to be longer, of at least four or five years; population pressure has cut this period drastically in recent times over large areas of El Salvador, and the general result has been increasing erosion and falling productivity.) In any case, it is apparent that few renters farm the same plot two years in succession.⁽¹⁾ This fact, as will be seen later, has significant implications for the "Land-to-the-Tiller" component of the Government's Agrarian Reform project.

One important feature of land rental in El Salvador is that small farmers rent land from owners of properties of all sizes, ranging from very small holdings of 1 to 2 manzanas to huge estates of several thousand has. Unfortunately, statistical information on this variable is entirely lacking. All that can be said is that there are numerous arrendatarios who make rental agreements with relatives or "neighbors" who are themselves poor. It is common, for example, for older property owners who are themselves unable to farm their land to rent out half of their few manzanas to others. At the other extreme, some of the large hacendados (hacienda owners) rent land to non-colonos who live nearby and occasionally do wage labor for them during times of peak labor demand. It would be hazardous to guess what the proportions among the different rent/property size distinctions might be; but numerous examples of all of them were found during recent field visits.

Arrendatarios frequently rent two or three plots in different locations, although these are usually on the property of a single land owner. Also, when they rent plots on larger properties they favor making the rental contracts with the same landowner year after year. This makes for greater stability, and allows the renter to build a personal relationship with the landowner which may bring him highly valued fringe benefits. At times he is rewarded with better land; he may also be given tacit permission to plant more land than is paid for. As one renter from Chalatenango described his patron: "He is considerate. He knows that no matter what, I hold up my end of the bargain. If my harvest is poor, he will lower the price (of the rent)." (Larde and Jacir 1980:58).

Although there is doubtless variation throughout El Salvador, few renters receive institutional credit. In the Región Oriental it was found that only 5.8% of the renters receive credit through government institutions and 3.2% borrow from private money lenders. The rest - over 90% - have no access to credit whatsoever (Rodríguez McCall et al 1979:16). It must be said, however, that many farmers - it is not known even roughly how many, although the practice appears to be common - borrow money or are given seed and/or fertilizer with the promise to repay the debt with part of the harvest.

(1) Rodríguez McCall and Reyes found that in the Eastern end of El Salvador the majority of the renters had been farming the same plots for more than five years continuously (1979, Table 32). However, a large proportion of the farmers interviewed in their study were working flat coastal lands or valleys (personal communication). The situation is very different in the more mountainous parts of El Salvador, which cover most of the Central and Northern areas of the country. Interviews with renters in these regions showed a heavy predominance of shifting cultivation.

As would be expected, the cash value of the products given by the farmer to cancel the debt far exceeds the amount borrowed. Questioning on this matter in a number of regions of the country leads to the conclusion that the lender generally makes a profit of at least 300% from the transaction. Because of their limited access to credit, arrendatarios make infrequent use of improved seed varieties, inorganic fertilizer, or insecticides. In the Región Oriental, for instance, fewer than 12% of the renters use store-bought seed; 14.7% use inorganic fertilizer;⁽¹⁾ and only 5.2% use insecticide (Rodríguez McCall and Reyes 1979:16).

Small arrendatarios generally make up the poorest and most severely disadvantaged group among El Salvador's rural population. They suffer most acutely from mal- and undernutrition, receive virtually no basic services (such as potable water and electricity), and have severely limited access to school facilities. With regard to the latter variable, it was recently found that in the Región Oriental close to 95% of the renters were functionally illiterate (Rodríguez McCall and Reyes 1979:9).

In summary, more than 50% of El Salvador's rural population rents land each year, usually for the planting of basic subsistence crops. The rented plots they farm are small, averaging less than 2 has. in size; but a large percentage of these plots are of one manzana or less. Rented plots are also predominantly situated on marginal land with poor soils and unfavorable topography. Rented land is invariably found where cash crops cannot be grown. Credit to arrendatarios is negligible, and there is a consequent absence of improved seeds, fertilizer and insecticides among the farmers.

THE PROGRESS OF DECREE 207

It is too soon to present statistical information on the percentage of arrendatarios who will emerge in the coming months as owners of the plots they are now renting or rented last year. Decree 207 has just been announced. However, the initial reactions of both arrendatarios and property owners who rent out land are being strongly voiced, and these reactions, taken as a whole, are rather disquieting. It has been noted above that rental arrangements in El Salvador are extremely varied in nature and are made on properties of all sizes, ranging from tiny properties of a couple of manzanas to estates of over 1,000 has. Problems have been occurring among virtually all of the different possible combinations of arrangement.

First, numerous arrendatarios rent small plots from neighbors or relatives who themselves are poor and have little land. Some of these renters pay for land use with cash, but it is clear that many operate with payments

(1) It should be noted that inorganic fertilizer is increasingly used by small farmers when it can be afforded. There is some use of animal manure, but this is usually applied on more intensive, year-after-year plots on flat ground near the farmer's home. The hillside milpas seldom, if ever, receive manure. Furthermore, few renters have animals to produce it.

of part of the harvest, labor, or some sort of cooperative arrangements. Renters of this sort who were questioned in several Departments said that although they had heard the law announced on the radio they would find it extremely difficult to claim the property from the owner. Some said they could not possibly take the land; the owners were poor themselves, and the renters felt pity for them. Some arrendatarios were renting from men too old to work the land themselves, or from widows. As the rental payments were the land owners' primary source of income, it would be unjust to take land from them, for such an action would leave them destitute. From the other side, the small property owners who have been renting out land are understandably strongly opposed to the law. Either the land is their security and brings them a small but steady income, or they use money taken from rental to help finance what they grow themselves. People in this category who were questioned either expressed defiance or despair. The ISTA office in San Salvador has already been visited by several tearful small landowners who had been renting out land. (It might also be noted that El Diario de Hoy has published a number of articles over the past weeks presenting cases of small property owners being affected by this law. One such article described a widow with 5 manzanas who rented out 3 manzanas. The thrust of these articles has been to point out the injustice of the law.)

To date, most of the rental arrangements among arrendatarios and small property owners have apparently continued as if the law had never been announced. The contracts had generally been made in April, and the land has been prepared and planted. What will happen remains to be seen. If the renters attempt to make good on their rights, there will doubtless be disputes.

Traditionally, there are two ways of resolving land disputes between small campesinos in El Salvador: through the courts, or by violence. The latter is by far the most common practice. Even in more tranquil times, El Salvador is a violent country, with one of the highest rates of homicide in the world (in 1973, for example, it was ranked number one in the World Almanac). Beyond this, the majority of El Salvador's armed violence - which is usually carried out with machetes and knives, although guns have recently figured more predominantly in the weaponry employed - occurs in the rural areas, and a large proportion stems from disputes over land.

This matter deserves some explanation. In 1974, I visited a Municipality of some 7,000 people (including rural cantones) located a short distance from San Salvador, to look into the matter of rural violence. At the local Juzgado de Paz I found a series of largely incomplete crime records running back into the 1950's. In 1953, which was the only year with full records, there were 86 cases of armed assault, with more than half of these resulting in the death of at least one of the participants.⁽¹⁾ In the course of detailed questioning on specific cases - many of which were lucidly recalled by the older men in the office - it was ascertained that at least 1/3 of the assaults were provoked by disputes over land. There were several examples of relatives

(1) It can be assumed that the population of the area was considerably less than 7,000 in 1953.

fighting over land inheritance; another common theme was conflict over real or imagined land encroachment resulting from difference of opinion on boundary markers.⁽¹⁾ With increasing population pressure on an already over-used land surface, it is not difficult to see why land is such an emotional issue.

The question still remains, however, as to why the campesinos attempt to solve their disputes with violence rather than through the courts. To find an answer, I visited the government office in San Salvador that handled the Municipality's legal problems, which were all referred there from the local Juzgado de Paz. The lawyer in charge said that yes, many of the cases he received dealt with disputes over land. But he added that as many as 60% of these disputes - as a conservative estimate - were settled among the campesinos themselves, and never reached his attention (except, of course, in the form of assault and murder charges). Why? Quite simply, the legal process in El Salvador is so complex and confusing⁽²⁾ as well as time consuming and costly, that few poor campesinos can undertake legal action. In order to present a case before the San Salvador Law Court, a lawyer must be retained. At least three witnesses from the community must be brought along to testify, and they have to be paid for their transportation, food, and services (to make up for work-time lost).

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- (1) Land in El Salvador is registered by means of a document which describes boundary markers and distances; no survey maps are used. Browning gives an example of one such document in 1965:

The southern boundary is contiguous with a deep ravine. Leaving this through a pass called Talpetate one continues in a right hand direction until reaching a spring called Chupadero. From here one follows a ditch across broken ground, named Quiebracha, up to a pass on the hill Calavera, along the ridge as far as the the summit of another hill, then down to a valley where there is a ujuste tree. (1971:258, footnote 50)

As if this weren't confusing enough, "with the transfer of property, new descriptions are made and the confusion increases. In addition to the boundaries of the property being poorly defined, the fact that the land itself is often claimed on the basis of the principle of prescription (i.e. possession as the legal basis for ownership), may encourage rival claims to the same area of land." (Ibid.:258-259).

- (2) Again Browning (1971:264-5) can be tapped for an instructive example, in this case for a taste of Salvadoran Legalese. For "Rights to Possession of Land: Article 747":

Possession may be regular or irregular.

Regular possession is that which proceeds from a fair title that has been acquired in good faith; even if good faith does not continue after acquiring possession. Consequently it is possible to be a regular possessor in bad faith, just as vice versa a possessor in good faith may be an irregular possessor. If a title deed is transferred, tradition is also necessary.....

Article 752

Irregular possession is that which lacks one or more of the pre-requisites determined in Article 747.

Documents are then made up and various legal stamps attached to them. All of this takes several trips to the capital, and the entire process frequently stretches out for months. "And", added the lawyer, "it has to be said that most of these cases are ultimately decided by bribes". (This, incidentally, is the primary reason poor campesinos only rarely pursue legal battles against large and medium sized farmers, even if their case is 100% certain in the legal sense.) Given this situation - the costly and time consuming nature of legal suits -- it is perhaps easier to understand why disputes among campesinos are often resolved by violent means rather than through legal channels. Furthermore, winning a legal suit does not ensure that there will be no violence over the issue in the future.

In presenting the foregoing observations, I do not mean to suggest that Decree 207 will inevitably open the gates to massive bloodshed between small arrendatarios and the small property owners from whom they rent. There has been no evidence of violence of this sort since news of the law came over the radio. Most of the renters are moving forward with their planting as usual. Everyone - renters and landowners alike - is waiting to see what the coming months will bring, to see how things develop and what others will do.

But only a portion of the arrendatarios rent from small property owners. (1) Although it is not known how many rent from medium-sized and large land owners, their number is considerable. On the largest haciendas - most of which are now in ISTA hands - the immediate effect of the law has been mixed, with two general patterns in evidence: either the arrendatarios have been thrown off the land (even though they had in many cases already paid for land use rights) or they have been allowed to stay and finish out this year's crop cycle. There is presently a good deal of confusion as to whether or not Decree 207 affects all lands, regardless of size, or only those under 100 has. The latter interpretation is usually accepted; and even those arrendatarios who have been allowed to stay on ISTA-intervened haciendas and lands to be taken during Phase II of the Reform (land from 100-150 to 500 has.) are not seen as legally able to claim the land they are using. The outcome of claims to rented lands on Phase I and Phase II land will be decided when the law is more clearly stated.

The reaction of landowners with from 20 to 100 has. who rent to small farmers has thus far been overwhelmingly hostile. Many of them are furious, and have already taken steps to evict arrendatarios who had earlier made rental arrangements with them. In every Department I visited there were numerous reports of owners returning rent money to the renters and throwing them off the land (legally, this is not correct; in practice, the renters are now without land). Some medium-sized landowners have enlisted lawyers to write up documents stating that the present renters renounce all ownership rights to the land, and paying off the arrendatarios or forcing them to sign. Others have used a more direct form of coercion. In an area of Ahuachapan, for example, 25 arrendatarios had made rental arrangements with a medium-sized landowner, paid him, and received written receipts (which is rare). They had already begun

(1) This is one variable no one has ever considered in the surveys that have been carried out. Quite clearly, it is extremely relevant to the implementation of Decree 207, and it should be looked into as soon as possible.

preparing the ground for planting when Decree 207 was announced. The land-owner promptly sent his son to plow up the land they were using, and threw the arrendatarios off. When they persisted, the owner confronted them with a group of national guardsmen (the renters said there were 50) from the local cuartel, and told them to leave on the grounds that his farm did not fall within the present agrarian reform program. It was also indicated that if they tried to farm the land, the national guard would be forced to take "drastic measures". The owner even refused to return their rent money to them.⁽¹⁾

The eviction of small arrendatarios from medium-sized properties is apparently widespread, although it must be said that I also found a number of cases in which no action has been taken by either renter or landowner. The arrendatarios have not talked to the owner, who is frequently living someplace else, and are continuing as if Decree 207 did not exist. In one case, I spoke with three men who were renting land along with 40 some-odd other farmers. When asked if they would take legal action to get the rental plots for themselves, one of them answered: "What can we say? It's up to the patrón. We can't do anything, we are low in stature (somos de baja categoría)." I found this general attitude everywhere among arrendatarios renting on medium-sized and large properties. When they are thrown off the land, there is little they feel they can do. When they are allowed to stay on, they are cautious. It is not likely that they will pursue their rights, granted them in Decree 207, on their own.⁽²⁾

Thus far ISTA officials in the capital have received a limited number of visits from arrendatarios and affected land owners from around the country. The people working in the Sección Jurídica of the San Salvador office have responded vaguely. They are not sure how the law should be interpreted, and last week were telling people to return in a few weeks, when the law would be - they hoped - clarified. Technicians in the field (on intervened haciendas)

(1) These particular small arrendatarios were not as submissive as most. They first approached one of the ISTA technicians on a nearby intervened hacienda to ask for help, but he was not anxious to become involved. So they took their case directly to ISTA leaders in San Salvador. Their case was heard, and a phone call was made to the Comandante of Ahuachapan's National Guard headquarters. This could be done because the ISTA official knew the Comandante personally. He asked that the arrendatarios be left free to farm the land, and explained their rights under the law. They were allowed to return, and according to one of the local ISTA technicians they have not had further problems. It need not be mentioned that there should be a more efficient way to resolve these cases.

(2) Furthermore, if they don't claim their rights this year it is doubtful they will have a chance next year. Of course, no land will be rented out for the next crop cycle.

have been approached by numerous arrendatarios and landowners, but they are generally very reluctant to become involved. They already have more than they can cope with adequately on the intervened estates, and the Decree 207 disputes are "like mosquitoes", as one remarked. At the present time, few ISTA officials - technicians or otherwise - know what sort of paperwork should be used or how to deal with the volumes of small individual cases, most of which have no written contract or receipt for land rental, and reflect every imaginable shade of rental agreement.

Beyond this, many of the ISTA technicians were opposed to Decree 207 from the start. First, while they find no ethical difficulties with expropriating Phase I haciendas, and even those which fall into the Phase II category, they generally believe that it is wrong to take land from small land holders. Clearly, it is easier to justify taking land from a person with 75 has. than from a poor property owner with 5 has.; but there is a strong tendency on the part of ISTA technicians and non-ISTA critics alike to decry the across-the-board rigidity of the law, which states that any rented land, regardless of size, is subject to claim by the farmer working it.

Second, it must be noted that many people in ISTA and MAG have viewed Decree 207 suspiciously since it was announced because it was designed virtually in its entirety by Americans, and slipped into legislation without their being consulted.⁽¹⁾ In this light, "Land-to-the-Tiller" is seen as a political move on the part of the U.S. Embassy and the State Department. I have heard it said on several occasions that it is a "symbolic" measure which was proposed because it would look good to American politicians, and not necessarily because it would be beneficial or significant in the Salvadoran context. Whether or not they are correct or fair in their assessments is another matter. All I am saying is that quite a few ISTA and MAG employees perceive things in this light, and they are the ones who must put their unalloyed support behind it if it is to be successfully implemented.

Third, Decree 207 is viewed by many as unable to provide much more than token benefits to present arrendatarios. As noted earlier in this report, most renters work plots of less than one or two manzanas. Even if it is conceded that ownership will be much preferred to renting, those affected will

(1) In a memorandum to USAID/El Salvador (dated 3/27/80), William Thiesenhusen and Don Kanel of the Wisconsin Land Tenure Center stated:

The "land-to-the-tiller" program (Decree 207) is an important one but one should recognize that with the situation of tenancy so mixed and complex, one must thoroughly understand it before opting for the program or against it. Given this situation we feel that the government, without foreign interference, must make the necessary judgment.

This advice was not followed. AIFLD essentially wrote the 207 legislation and handed it to the Junta, bypassing the Minister of Agriculture. This fact is known and resented by many ISTA officials.

still be minifundistas of the most diminutive order. A family of six cannot support itself on one or even two manzanas of land, and will need to supplement its income with seasonal wage labor. Life for these people will be just as precarious as ever. Decree 207, the reasoning goes, is not a terribly important measure because it offers scant benefits, if any, to the majority of El Salvador's arrendatarios.

Finally, there are potentially significant agronomic difficulties with Decree 207. It has already been mentioned that most renters who cultivate basic grains use land of marginal agricultural quality. The most common farming technology is a slash-and-burn system in which existing vegetation is first cut with a machete, then burned off for planting. Although a few renters are fortunate enough to gain rights to plots which have rich volcanic soils and favorable topography, and can be farmed continuously, year after year, most renters are forced to change their farm plots each season.⁽¹⁾ After they harvest their crop, they abandon the land; the following year they select another site which has been left fallow for a minimum of one or two years (and longer if possible). If they were to cultivate a single plot with poor soil on a steep slope for three years in succession, it would be converted into a sterile desert. It is entirely possible that these arrendatarios-transformed-into-owners will rapidly lose interest in continuing purchase payments on a useless piece of land. Furthermore, they are now blocked from renting new plots this coming year, and thus rotation will be impossible.

Of course, it is true that small farmers in some parts of the world, such as the Far East, employ farming techniques which enable them to cultivate the same piece of land continuously without draining the soil of its nutrients. Often their farms are located on steep slopes not unlike those in El Salvador. But it must be realized that these intensive cultivation systems have evolved over hundreds of years and have become fixed as traditions in the minds of the farmers that use them. Salvadoran peasants, equipped with slash-and-burn techniques, would have to be instructed in entirely new cultivation practices. Even if this could be done rapidly, the question of where this technical expertise would come from and what form it might take has not, as far as I know, been addressed.

SUGGESTIONS RELATING TO DECREE 207

1) An increase in media propaganda. The law went into effect on April 28 of this year and was publically announced in newspapers and over the radio. Virtually everybody, even the most remote campesino, has heard about it. But follow-up propaganda in which the substance and legal mechanics of the decree are clearly and forcefully explained has been lacking. I have heard some AID officials claim that the details of the law are clear and simple. This may be true. The fact remains that few campesinos understand Decree 207, and there is even a good measure of confusion among ISTA personnel. There have been a few articles dealing with Decree 207 in the newspapers of widest circulation (La Prensa Gráfica, El Diario de Hoy), and some of those which have

(1) There are no statistics on the number of renters who do not cultivate the same plot of land each year. However, I would venture that the majority of arrendatarios fall into this category.

been published have attacked it as unjust. With more media coverage of an educational, instructive character some of the misconceptions and confusions could be laid to rest. It would also serve to underline the Government's serious intent -- which is widely questioned at the moment -- of actually implementing the reform.

2) The development of simplified procedures for transferring title to arrendatarios. The key to a peaceful and orderly transfer of land depends heavily on the ability of ISTA or some other agency to come up with simplified legal procedures for establishing users' rights and formalizing them. Titling should be done free of charge or for a nominal fee. If the campesinos are faced with the traditional tangles of legal counsel, witnesses, and documentation -- all of which are costly and time consuming -- they will either give up their claims or take matters into their own hands. If the past sheds any light on what may happen in the future, frustrated rights to the land could easily unleash a good deal of unneeded conflict and violence.

3) A special brigade of technicians, either from ISTA or some other Agency, with a good understanding of the details of Decree 207 and the paperwork involved, must be deployed throughout the countryside to aid arrendatarios in making claims to land they have been using. At present, ISTA technicians on intervened haciendas have no time for people seeking assistance on Decree 207 land. The Sección Jurídica of ISTA is now the only place people affected by the law can be helped, and it is located in the central office in San Salvador. Legal assistance must be taken into the countryside, and a special team should be created with the sole responsibility of working with Decree 207 cases. Furthermore, it is essential that the authorities stand firmly behind the execution of this law. This type of support will be enlisted with difficulty, as it will signal a radical break with tradition.

4) Technical assistance and credit should be made available to Decree 207 beneficiaries. Thus far MAG and ISTA have been so involved in trying to run and organize the Phase I haciendas that little thought has been given to the arrendatarios. Quite simply, they have insufficient personnel even to deal with what they are now doing. However, because of the agronomic problems facing most beneficiaries on small Decree 207 plots, technical and financial assistance are not only desirable, but a necessity. With the central government tottering on the edge of bankruptcy and most existing credit being funnelled into the Phase I haciendas, the outlook for small Decree 207 beneficiaries doesn't look bright. These people are not organized into farmer associations or cooperatives at present; either they should be organized into credit groups to facilitate the process (which would demand even more government personnel), or the loans should be handled independently. In either case the task would be massive to put it mildly. With regard to agronomic technical assistance to Decree 207 beneficiaries, the problems are even more severe.

THE PHASE I HACIENDAS

Most of ISTA controlled haciendas were intervened on or shortly after March 6, the date Phase I of the Agrarian Reform went into effect. ISTA personnel were accompanied by Salvadoran Army troops -- not National Guardsmen -- to ensure that the takeover would take place in orderly and pacific fashion. Taken as whole, the haciendas were entered peacefully, without violence or disrespect for the rights of the people living on the estates.⁽¹⁾ The soldiers behaved with restraint, staying around for a short time to make sure things were secure, then leaving. Some of the estates are now being guarded by small groups of policías de hacienda; but the amount of violence has been minimal.

The people living on the estates were first gathered together and the reason for the intervention was explained. They were told that the patrono was now out of the picture and they were the new owners of the estates. The basic design of the Reform was outlined, a consejo directivo consisting of president, vice-president, secretary, treasurer, and vocales was elected on the spot, and a cooperative was formed. ISTA representatives made it clear that they were anxious to maintain as much continuity as possible in the farming operation to avoid disruption of the production cycle. Although there could be more radical shake-ups in farm administration and operation in the future, existing managerial staff should be retained wherever possible. In the end, however, the new cooperative members were given opportunities to decide who would remain and who would be sent packing. When the dust had cleared, some of the more unpopular administrative staff were told to leave, but most of them have stayed on.

Three months have passed since the first farms were intervened, and while there are numerous individual differences in the course taken by each estate, several general comments can be made.

1) On the whole, the technicians and the people on the intervened farms appear to be getting along very well. Cooperative leaders, as well as ordinary members, almost universally speak highly of the technicians and the promoters; and many of the technicians and promoters have become strongly committed to the people of the enterprises they oversee. It is apparent that the hacienda groups need to rely on ISTA personnel for credit and inputs, institutional support, and legal protection. In an atmosphere saturated with fear and uncertainty, the technicians and the cooperative members have in many cases clearly become allies in the battle to keep the haciendas functioning as smoothly as possible, to pry loose credit and needed materials from the convoluted ISTA/MAG bureaucracy, and to block the forces pressuring for the return of estates to the former owners. In the main, the technicians feel a strong sense of responsibility to the people on their haciendas because they

(1) There were several instances of armed confrontation during the takeover process; these were apparently provoked by groups from outside the estates who occupied buildings before being run out.

live with them, have made promises to them, and now have a commitment to do all they can to deliver the goods. For many of the technicians the Agrarian Reform has become a genuine "cause".

2). The major frustrations of the technicians have not been with the cooperative members, but with the central offices of ISTA and MAG. On May 6th, a small group of technicians called for a general strike, citing fourteen points which should be considered and resolved. Within a short time the strike had gained in force, bringing several hundred technicians into the ISTA offices in San Salvador. Some of the demands reflected personal interests (salary hike, life insurance policy); but the majority were aimed at gaining more effective institutional support and maintaining the integrity and freedom of the hacienda enterprises and their campesino members. For example, they asked for: (1) The immediate disbursement of credit to the haciendas, (2) "respect for the physical and moral integrity of rural workers throughout the country", (3) an end to steps -- legal or quasi-legal -- to return the intervened farms to their original owners, (4) provision of adequate supplies of gasoline so the technicians could carry out their work, (5) decentralization of decision-making, so that the technicians could act with more autonomy, and (6) "elimination of the administrative bureaucracy in the Agrarian Reform process."⁽¹⁾

a.) The need for credit was central to their demands. With the planting season for basic grains (May) and cotton (June) upon them or looming only a short distance off on the horizon, credit was still blocked at the Ministry level. Seeds, fertilizer and insecticides had not yet arrived on the farms, and the cooperative members, who were doubtful of the sincerity of the government's intentions from the start, were becoming even more suspicious as time dragged on and all they received was promises. But while credit and inputs were the most important immediate needs, they were only part of a package of things which stemmed from the cumbersome, over-centralized bureaucracy in ISTA and MAG.

Many of the most minor decisions - such as buying gasoline or a part for a broken tractor - could not be made by the technicians on the farms. Requests for materials invariably had to be sent to San Salvador, where they became caught in the confused bureaucratic corridors of the central offices. In short, things simply weren't moving, the people on the haciendas were becoming restless, and the technicians were caught in the middle. The strike, which the technicians initiated with some risk of losing their jobs, was seen as entirely justified by most of the technicians⁽²⁾; and in the end it did serve the purpose of speeding up the

(1) Obviously they didn't mean to "eliminate" the bureaucracy altogether. They simply wanted to streamline it so it would function.

(2) The hacienda members also backed it by signing documents asking that the technicians not be punished for undertaking the strike.

the flow of credit and materials, and making gasoline more readily available. Although the bureaucracy still maintains virtually all of its exasperating unwieldiness intact and decision-making continues largely in the central offices, the immediate needs are being at least partially met and the hacienda enterprises are edging forward with the expected activities. The strike has formally ended and most of the technicians have returned to the field. But the success of this phase of the Reform depends heavily on the willingness and ability of MAG and ISTA to continue giving - and improving - its support to the technicians on the haciendas.

b.) Estimates differ on the number of intervened properties that have been returned to their patronos. The most commonly quoted figure is 12. It is also rumored that as many as 40 other haciendas are being considered by a special government commission that was formed to handle the matter; and there is talk of returning all of the sugar mills and coffee processing plants (on the grounds that the former owners will be able to run them most efficiently). All of this action and talk has served to deepen the already existing suspicion of the hacienda campesinos that the Agrarian Reform will be put in reverse and they will end up with nothing. They are also afraid that they will be severely castigated if the patrono is reinstated. There is an oppressive atmosphere of uncertainty, insecurity and fear among the people on intervened farms throughout the country. It is present, to a greater or lesser degree, on farms that are small as well as those that are large, on farms in politically "hot" zones as well as farms in areas that are relatively calm. But it must be stressed that it is present everywhere, and it is having a significant negative impact on the Agrarian Reform process. If additional haciendas - along with sugar mills and coffee processing plants - are given back to their original owners, the existing atmosphere of uncertainty, insecurity and fear is clearly going to become more intense. Another cause of these widespread emotions will be discussed in the last section of this report.

The haciendas taken during Phase I of the Agrarian Reform differ widely in size, technological sophistication, and complexity of internal organization. Cursory descriptions of four ISTA haciendas are presented below to give some idea of the range of defining characteristics and prospects for future development.

(1) Hacienda A: located on the flat coastal strip toward the Eastern end of El Salvador, Hacienda A encompasses an area of approximately 750 manzanas. 200 manzanas will be planted this year with cotton, as had been done the year before; between 12 and 20 manzanas, which were formerly used for cotton, will be planted with the basic grains, primarily corn; virtually all of the hacienda's

remaining territory is thick forest and, along the coast, stands of mangrove. (1) The forest is presently being protected by El Salvador's Natural Resource Division, and it is not known by anyone on the farm if they will now be able to exploit the lumber and open up the area for cultivation. The farm is being assisted by a single ISTA technician who does not live on the property, but off in the departmental capital half an hour distant. The nucleus of the campamento (a term used for farms or discrete chunks of farms in cotton areas) consists of no more than four crudely constructed wooden buildings, most of which are used as storage deposits. The former administrator, who lives in one of the buildings, has been retained to manage the operation and supply the store of technical knowledge relating to cotton he has built up over the years. The hacienda enterprise now has 50 members, all of whom are ex-colonos living in a ragged line of shacks running along one end of the property. The administrator is not a member of the enterprise; he was kept on as a salaried employee. The leaders of the cooperative were selected from among the ex-colonos. In sum, the infrastructure and the administrative staff are minimal, and the ex-colonos themselves fill the slots in the cooperative leadership. The internal organization of the farm is extremely simple and straightforward.

Everything is running more or less according to schedule, with most of the cooperative members working in the fields (the day of our visit they were repairing a barbed-wire fence). They lack a tractor for plowing, and are forced to rent one: the former owner had taken his away just before ISTA arrived to take the farm. They have some fertilizer stored in the depot, but need more of what they have and some sacks of a different type; they have also been unable to receive credit yet. Although the hacienda is located in an area replete with "popular organizations" (2) (mostly BPR and FAPU), the hacienda members have had no problems with them. Several farms in the area had been occupied and/or sabotaged, and there had been minor "confrontations" between national guard forces and grupo members. But on Hacienda A the only visible signs of grupo activities exists in the form of political graffitti on the walls of the buildings, and the day we visited the area the campamento was overlaid with a peaceful, almost drowsy atmosphere.

The members of the cooperative have not yet taken an active role in decisions relating to credit, management of the farm, or their own role in the enterprise. The ISTA technician has thus far run things with the aid of the administrator. For example, arrangements to obtain credit are being made by the

(1) The cultivation of cotton was begun 6 years ago; the cleared land had formerly been pasture for cattle.

(2) The term "popular organization" or "popular group" is commonly used among campesinos throughout El Salvador. They seldom speak of "leftists", "extremists" or "subversives". Often they simply say "Los grupos". These semantic distinctions - and their implications - will be explained more thoroughly later in this report.

technician; the cooperative members know little more than the fact that he has gone to the BFA to present the paperwork for credit. They have no idea of how the financial end of the cooperative will function, nor how or when the farm's benefits will be divided up. For the time being they are continuing as before - as wage laborers - quietly grumbling that their salaries are too low (Q7.57 a day, which includes basic wages and money for food). The technician told them at the start that all crops on the farm would be worked collectively, including the basic grains. They have spoken among themselves about laying hands on individual plots for corn, beans, etc., but haven't as yet mentioned the matter to the technician.

(2) Hacienda B: Hacienda B encompasses approximately 420 has. of rich flat land near the Guatemalan border. (1) 400 has. are cultivated for improved seeds, primarily corn. The farm was well equipped before the ISTA takeover, but during the first days of the intervention the owner arrived and slipped his best farm machinery across the Guatemalan border, to another of his farms. (ISTA officials finally cut the robbery short and a few tractors, etc., were salvaged). 400 families of colonos have remained on the farm as cooperative members, and no new families have been absorbed from other quarters. All farming is being done collectively; there is no land for subsistence crops, at least this year.

As on all intervened farms, the leadership of the cooperative was formed the same day ISTA took the land. Since then, three of the seven leaders have resigned and left. One of the present leaders was formerly a member of the BPR, but he has since left his politics behind and is working well with the group. (2) However, violence, some of it surely political, has been something of a problem. While no one has yet been killed, several weeks ago a group of armed men grabbed the cooperative president and his family, threatened to kill them, and stole 800 colones. The thieves said they were members of the UGB (Unión Guerrera Blanca, an ultra-rightist group), but the people doubt this. They don't know who they were. They could have been leftists, men sent by the former owner, or free-lance thieves.

Everyone on the farm, including the technicians, is afraid that the left will start something, the National Guard will come in, and they will be caught

(1) Although less than 500 has., the owner has other farms in El Salvador for a total of several thousand has. This makes the 420 ha. farm eligible for expropriation.

(2) The fact that he was affiliated with the BPR did not bother the technicians as long as he stayed out of politics and worked on the farm enterprise. In fact, many ISTA technicians said they they would like to work with members of the Groups -- but they are presently blocked from doing so by the stance of the Armed Forces.

in the cross-fire. Their fear of the national guard troops is greatest because they tend not to discriminate when bullets begin flying.

Shortly after the hacienda was taken the former owner appeared with an ISTA lawyer, who explained to the people that the farm had been expropriated illegally, and would have to be returned. The owner tried to convince the cooperative leaders to sign a document, but they refused. The leaders then went in a commission to the ISTA offices in San Salvador to gain official support, and the farm stayed in their hands. (A nearby farm was returned to the owner. The same tactic, with an ISTA lawyer, was used, and the campesinos timidly acquiesced. The technicians were forced to pack up and leave.) Recently the patrono has returned again in an attempt to take back 100 has. under the Derecho de Reserva clause. (Decree 153, Article 36). The cooperative leaders and the ISTA technicians have turned him away, thus far with success, and are now planting the entire area of the farm.

80 of the 400 workers are presently working for salaries paid by ISTA. Each group works 2 weeks, then another group takes its place, and so on. No fertilizer or credit has arrived at the farm, but they went ahead and planted anyway, in spite of the risks (quite clearly, improved seeds need fertilizer). It was simply a question of planting or not planting. Another problem will fall on them when the harvest comes in. The seeds must be processed, and the most efficient processing plant, which belongs to the same owner as the farm, is located near San Salvador. If they can't use this plant they will be in trouble; (2) they are presently trying to convince ISTA to purchase it.

As with Hacienda A, the ex colono cooperative members have not been participating in the decisions to date. They still regard themselves as salaried workers, and the idea that they actually own the hacienda is still quite remote.

(3) Hacienda C: Hacienda C is a 900 hectare farm located in one of the most politicized regions of El Salvador. In the surrounding countryside there are numerous groups of the BPR, and the Armed Forces have been active with periodic operativos (large military maneuvers) and rastreos (sweeps) throughout the cantones of the area during the past three or four years. About a month ago a large hacienda nearby, which was not intervened by ISTA, was occupied by a group of farmers belonging to the UTC (Unión de Trabajadores del Campo, part of

(1) This provision which gives the former owner the right to reclaim 100 (or 150) has. of his estate one year after it has been expropriated, will cause serious problems. If the cooperative members have been planting the area claimed under the Derecho de Reserva, they will surely be less than anxious to give it up.

(2) CENTA has a processing plant they could use, but it is apparently not very reliable.

the BPR). They were flushed out by an invasion of troops that left 25 dead campesinos in its wake.⁽¹⁾ The people from Hacienda C will not go near the place.

145 members are cultivating 450 manzanas of cotton, 150 of corn, and a small section of corn interplanted with rice. Most of the rest of the farm is pasture for cattle. They will farm collectively because that is the way the ISTA technicians said they should work. They are not sure this will function -- they have never done it before -- but will give it a try. Their preference is for individual plots for basic grains.⁽²⁾ During our visit, 28 men were working for wages (out of 145). But there were no seeds or fertilizer yet so there wasn't much to do, and there was a limit on the amount of ISTA money for salaries. Money is a very emotional issue with them, and when I was there they laid out a long and passionate complaint about how the last few payments had been late.

The former administrator has been kept on, and the same cooperative leadership that was formed during the intervention has remained. The president and vice-president were small farmers and wage laborers before they took their positions. As the hacienda was poorly maintained and unsophisticated organizationally, there were few salaried employees and no more than a handful of colonos. Most of the new members have come from outside the estate. They like the ISTA technicians, and have had no complaints about them. At the same time, the technicians note that the people tell them little about what they really think, or what is going on in the area; trust is a scarce commodity in this region of El Salvador. The technicians are presently working to obtain credit, fertilizer and seed, and have thus far made all of the important decisions in loose conjunction with the cooperative leaders. As on the other farms, the other members of the cooperative are completely outside the sphere, and have little idea of how things will turn out.

The main cluster of houses is rudimentary, dishevelled, and littered with dismantled and rusty pieces of machinery. In January, just before the farm was taken by ISTA, the BPR burned one of the main buildings and a couple of pieces of machinery. But since the farm was intervened, the BPR and other grupos -- whose presence is noted by prolific painted slogans covering every wall in the area -- have caused them no harm. On the other hand, the people are very afraid of the National Guard (and are scared to even bring up the topic). During my visit one of the technicians told the story of a group of National Guardsmen who recently rolled into the grounds asking for the names,

(1) The campesinos said a helicopter first flew over them, peppering them with machine gun fire. Then over 1,000 troops came at them from all sides.

(2) Campesinos everywhere prefer to plant basic grains on individual plots. Their attitudes toward group and individual plot farming will be discussed below.

ID numbers, and positions of all cooperative members and technicians. They refused to give them the information, and later appealed to the regional ISTA representative to have all such enquiries stopped. (1)

(4) Hacienda D: located in an area of fertile land stretching out along gently rolling plains and up the side of a mountain, Hacienda D is large (about 3,000 has.), complex, and modern. The two most important crops are coffee (on the slopes of the mountain) and sugar cane (along the flat lands). The main cluster of buildings has a sugar mill (ingenio) and a coffee processing plant (beneficio); a row of administrative offices, workshops, and apartments for employees; and a plush, neatly maintained house for the patrono. Behind these is what amounts to a small village laid out in a grid pattern. The houses, in which most of the permanent employees live along with a few colonos, are of adobe and brick, and generally well made. Beyond this cluster are several colono settlements scattered about in distinct corners of the property. These homes are generally hovels made of scraps of odd pieces of cardboard, boards, plastic sheets and sticks.

The whole operation is extremely complex, with the sugar mill, the coffee processing plant, twelve "properties" of coffee, and six of sugar cane. Almost all of the over 100 permanent employees -- including administrators, clerks, bookkeepers, work bosses, mechanics, carpenters and hacienda guards -- have remained, along with some 500-600 families of colonos. The cooperative leadership is made up of employees (who have stayed at their old positions in the hacienda organization). The ex-colonos do not figure in the decision making machinery of the farm; they are physically and mentally removed from the central core of things, although on a few occasions they have been gathered together for talks by the ISTA technicians and promoters, and the leaders of the cooperative.

Credit is a problem, as it is on virtually every ISTA farm, but the hacienda labor routine appears to be moving forward without having skipped a beat. The former owner has not caused trouble (although he has come to take away a large cache of last year's coffee); and there is insecurity among the cooperative leaders because it is rumored that the sugar mill and the coffee processing plant will be returned to him. (Rumors that this will happen on a generalized scale are causing confusion and doubt throughout the country). At first glance hacienda D appears to be one of the better operations in El Salvador: modern, complex yet well articulated, and smoothly run.

But there is another aspect of the organization of the hacienda which is somewhat less attractive: namely, the position in which the ex-colono laborers find themselves. Driving into the bowels of the farm, I discovered them in groups among the coffee and spread across the cane fields, working at the same tasks they had been assigned to before the reform had taken place. In fact, they themselves perceived little change in their lives, except that they felt very insecure about the future. They had merely changed one patrono for another, they said; and the new patrono was perhaps worse than the

(1) While the technician related the story the campesinos looked on quietly with non-committal expressions on their faces. After a short pause, one man said softly "Así es". And we began talking of other matters.

old, one because he talked pura promesa y paja ("pure promise and bull ____"), and nothing had come of it. Their principal complaint concerned the low wages they earned (just over 7 colones a day). They had heard that workers on another hacienda nearby were earning more than 9 colones, and thought their wages should be at least the same. The brief explanation by the technicians about how they would receive dividends next year seemed to them highly unlikely -- another "promise". Some people from the BPR had told them not long ago that they should be getting around 14 colones, but they didn't want to get mixed up with the grupos (or at least that is what they told me). They were concerned that the escalating violence in other parts of the country would soon spread to the hacienda, and they were firmly convinced that the Agrarian Reform would not be carried through. They had heard that other haciendas had been returned to their former patronos, and thought it was merely a matter of time before this one was taken back.

(3) CAMPESINO ORGANIZATION

It is the stated goal of ISTA to foster cooperative farm enterprises based on active member participation in planning and running the hacienda activities. There is talk about "raising the consciousness" (concientización) of the campesino members, "waking them up", educating them, and bringing them to the point where they themselves have a hand in the management of the enterprise, understand how things are being done, and are able to voice their opinions without trepidation.

The campesinos living as colonos on large haciendas have traditionally made up one of the most submissive, passive and unorganized segments of Salvadoran society. Living in a state of semi-servitude, they have never been allowed to form unions, cooperatives, or groups of any sort. On the estates of a few of the more benevolent patronos they are supplied with relatively adequate housing, health facilities and schools; but on most estates they are treated with a steady diet of neglect. They stay, bound to the patrono, because leaving would simply place them out among the numerous desplazados, or landless rural poor, that cluster around the periphery of haciendas throughout the country. They assiduously refrain from behaviour that would displease the patrono - such as demanding higher wages, requesting better services, or organizing groups -- because this would rapidly lead to their expulsion from the estate, or perhaps even more drastic measures. In the face of such overwhelming pressures, they have quietly - if resentfully - done what they are told to do and submissively accepted their lot.

Over the years, most colonos have had their personalities moulded by the set of circumstances just described. Many have been born on an estate and, except for short forays to the outside, the estate constitutes their universe. During March of this year, when the haciendas were intervened by ISTA and the army, the colonos were told that the ground rules had suddenly changed: they were now free men, the farm lands and everything on them were theirs, and they would henceforth run them in cooperative fashion. Neither this nor any

other phase of the Agrarian Reform was planned or directed in anyway whatsoever by the campesinos, a state of affairs contrary to the Agrarian Reform envisioned by certain campesino organizations and Agrarian Reform advocates in the past (see Guerra 1976:243: Memoria del Primer Congreso Nacional de Reforma Agraria 1970:121-354). As one ex-colono put it, "All of this simply fell on us, We didn't ask for it, but here it is".

It would be unreasonable to expect even a moderate change in colono (now ex-colono) attitudes and behavior so soon after the intervention of Phase I farms. Three months into the new arrangement they still refer to themselves as colonos, although some of the technicians are trying to purge this word from their vocabulary. They also still conceive of their ties to the hacienda as those which have traditionally defined colonaje: they are salaried workers, they must respect the hacienda hierarchy, they have to abide by the same restrictions. They find it difficult to voice their opinions, and the idea of taking an active role in cooperative management and decision making is simply not part of their conceptual world. In other words, the colonos have changed little - if at all -- either behaviorally or psychologically.

This is at least in part due to the fact that in many cases the haciendas themselves have changed very little. To keep production from faltering, the ISTA technicians have attempted to make as few modifications as possible in the administrative and labor structure of the hacienda enterprise. They have tried to retain as many of the former management and service employees as possible. The colonos are being dispatched on labor assignments around the farms more or less as had been done in the past. The same hacienda hierarchy, the same rules and restrictions, and the same system of salaries (for employees) and daily wages (for colonos) have been kept in place with few modifications. All of this was wise, and even necessary, to preserve continuity in the farm operation and to avoid disastrous disruptions of the production cycle. At the same time, however, maintenance of the traditional structure -- especially on the larger farms -- has left most of the agricultural laborers with the feeling that aside from a change in patronos, their position within the structure of the hacienda has in reality remained substantially the same.

With regard to the degree of active participation and understanding of the new farm enterprises, three classes of people must be kept in mind: the cooperative leaders, the managerial and service employees, and the large mass of ordinary members, or socios. It is further necessary to consider the various types of hacienda enterprises, which range all the way from small, relatively traditional operations with few salaried employees (such as Hacienda A) to large complex operations with huge bodies of administrative and service personnel (such as Hacienda D).

On several small, unsophisticated haciendas I visited the cooperative officers were campesinos who were undifferentiated from their companions except by the possession of certain leadership qualities and/or their ability to write

and keep records. They worked in the fields with everybody else, undoubtedly shared the same needs and aspirations, and belonged to the same socio-economic class. On two farms, the administrators, who had been kept on, were in close touch with the thoughts of the cooperative leaders and the ordinary members. (1) Communication among them existed, although the hacienda members were still without a sense of group consciousness and hesitant to assert themselves. On the small farms the cooperative leaders and members had not voiced many of their concerns - such as higher wages and improved housing, which topped the list in all haciendas - to the technicians, who were essentially making all major decisions in collaboration with the administrators and, to a very limited extent, the cooperative leaders. The campesino members on these small farms clearly lack technical knowledge of cooperatives and farm management; in the past they have never had an opportunity to carry such responsibilities. In this they will need technical support. At the same time, however, if the campesino members are given the freedom to develop the farm enterprise without outside interference, there is tremendous potential for genuine democratic, "popular" participation by all. (2)

The large haciendas - like hacienda D - present a very distinct structural pattern with very different organizational consequences. Social composition of these farms is marked by what can be termed a socio-economic class hierarchy: the wealthy patrono (now the Government in the guise of ISTA), a "middle class" of permanent salaried employees (administrators, clerks, bookkeepers, vigilantes, mechanics, and carpenters), and a "lower class" of unskilled agricultural laborers. On most of these haciendas the employees - in several cases over 100 of them - have been kept on, and the cooperative leaders have invariably been selected from their numbers. The cooperative leadership, then, belongs to a different socio-economic class from that of the ex-colono cooperative members, and there is - at least in the cases I saw - very little two-way communication between them. It was also clear that the employees were very concerned with protecting their own interests. This, of course, is understandable. In such an atmosphere of insecurity and fear, everyone is trying to hold onto what he now has. All of the major decisions on the haciendas are made by the ISTA technicians, the administrators, and the cooperative leaders. The agricultural laborers have been excluded entirely. Although they have been gathered together for several "general assemblies", they have been presented with little more than general speeches on how things will work and what benefits they will receive. There has been virtually no place for discussion or questions. Of course, their ingrained timidity also contributes heavily to their reluctance

(1) This was clear from questioning administrators and socios independently.

(2) A good model for the type of cooperative which might result is found in a number of UCS operations around the country. Those that I have seen are genuine campesino organizations, and very homogenous with regard to socio-economic class and aspirations.

to speak up. The ex-colono members I questioned⁽¹⁾ had no idea of how the new cooperative would function, how the money would be handled, or what special benefits they would lay hands on or when they would be given out. They continue seeing themselves as wage laborers. In short, they are still colonos trapped at the bottom of the hacienda hierarchy, and they are almost unanimously convinced that this situation will not change.

The large administrative staff of these haciendas already has experience in running the farm operation, keeping books, and handling money. They will need little assistance in this regard. But it will be extremely difficult to incorporate the masses of agricultural laborers - which in some cases number 1,000 to 2,000 members (not families) - into the cooperatives as active participants with opinions that are taken seriously. At present they are passive and submissive; they are excluded from all planning and decision-making not only by their ingrained sense of powerlessness and apathy, but also by a group of people who have taken over the control of the switchboard of the hacienda. In Hacienda D, I had the impression that the administrative employees were so concerned with protecting their own status that they cared little for the miserable living conditions of the ex-colono laborers. If in fact the ex-colono agricultural laborers are blocked off from participation in the hacienda enterprise, and their needs and aspirations are not adequately dealt with, a very dangerous situation could easily develop.

There is, however, at least one example of an hacienda on which the needs of the laborer-members have been perceived and are being at least partially satisfied. This is occurring on the coastal hacienda, mentioned earlier in this report, which has a wide variety of crops (plus a zoo with African lions and crocodiles). When the old patrono had controlled things, salt could not be bought from the farm, although it had a huge salt extracting operation; all of the crops, including bananas, plantains and coconuts, were sold commercially; and no colonos were allowed to fish in the three lakes stocked with tilapia or in the wide, mangrove bayou near the coast. This has now changed. A small tienda de consumo has been built and is now offering salt, eggs (from a chicken

(1) I always made an attempt to talk with them alone, away from employees, cooperative leaders and technicians. This was easy, for they could be found everywhere, working in groups or about the colono settlements. They were very reluctant to talk about their attitudes toward the hacienda organization, their relations with the employees, the former patrono, and the ISTA technicians. But this was usually the case only during the first ten or fifteen minutes. After that, they began to loosen up and bit by bit some of their feelings and concerns came out. On several occasions they began discussing topics of a rather sensitive nature - such as "popular groups" and the national guard - among themselves, almost as if I hadn't been there. When I was accompanied by ISTA personnel and cooperative leaders from the larger estates, the ex-colono laborers would say very little unless encouraged by the ISTA officials.

raising project just begun), beans, bananas, plantains, and so forth - at approximately half the usual commercial price. Fishing, although regulated, is being allowed for the first time, and a wage increase of $\text{Q}0.50$ is slated for this coming month. And the hacienda's carpenters and bricklayers are being deployed throughout the ex-colono settlements to build and repair houses. While these measures may be seen as minor - even token - they are of vital importance to the cooperative members; and most important, they are an indication that the demands of the masses are being heard and acted upon.

But this hacienda, which has a massive collection of permanent employees, differs from Hacienda D in a very significant way. It has an excellent school with a large staff of teachers who offer courses up to the ninth grade. Because of this school, many of the former colonos know how to read and write, and the cooperative leadership is composed of a mix of permanent employees and ex-colono laborers. As one of the technicians told me: "These people are difficult to work with. They are educated and have ideas of their own." It might be ventured that they are "difficult to work with" because they are not ignorant, submissive, and without "ideas of their own". This should not be seen as a problem, but rather as a positive foundation on which to build a cooperative enterprise that may be able to run itself smoothly and satisfy the most fundamental needs of its members. If this goal is not achieved, on the other hand, the haciendas will be nothing more than State-run operations (like most of the pre-Reform ISTA farms) and the root cause of El Salvador's present social economic and political crises will not be eliminated.

(4) PHASE I IMPLEMENTATION AND COLLECTIVE VS. INDIVIDUAL PLOT FARMING

ISTA has followed a general strategic plan with the Phase I haciendas, but it is clear that the technicians were unprepared to handle many of the operational details of the project. The circumstances of each hacienda vary enormously and often must be dealt with on an individual basis; few of the technicians, except for some who had worked on ISTA farms before, ⁽¹⁾ have had experience of the sort now demanded; and there was little time to prepare them for their present tasks. Much of the action on the haciendas has been improvised, characterized by stop-gap responses to immediate crises. There has been a marked lack of coordination at all levels; technicians on one farm are imposing policies that are substantially different from those pushed by technicians on other farms; occasionally conflicting orders have been given by technicians working on the same hacienda. There seems to be a general lack of a coherent plan. Even the improvised responses have been crippled by the torpid bureaucratic machinery of ISTA and MAG in San Salvador, and the over-centralized decision-making apparatus. One central cause of the confusion stems from the apparent - and sometimes real - ambivalence of MAG leadership.

(1) And it should be remembered that there are significant differences between the old ISTA and its new incarnation.

The reform laws are being modified as the months pass (note especially Decree 207), and there are rumors of even more drastic tinkering in the works.

There has been a general policy of organizing the hacienda enterprises according to collective principles. As commercial crops such as coffee, sugar cane, and cotton had formerly been cultivated on haciendas as single, extensive plantations, it was decided to keep them intact and farm them collectively. The ex-colono members have always worked with these crops in collective fashion (although as wage laborers rather than as "owners"), and it seemed best to continue the practice. The matter of basic grains is somewhat different. Only on a few haciendas are corn, beans, and sorghum grown on a commercial basis. Where this practice exists, a collective strategy may be successful. But attempts to impose group farming on plots of basic grains for family subsistence are meeting some resistance from the ex-colono hacienda members.

Traditionally, colonos and small farmers generally have shown overwhelming preference for their own individual plots of basic subsistence crops. They have seldom, if ever, attempted collective farming with these crops. On the haciendas, colonos have always striven to lay hands on whatever land they could, however small, to supplement wages and other benefits with food crops. The primary reason for this preference is security: if their cash income is temporarily cut off, at least they will have something on their farm plots to keep them from other ruination and starvation. This is an especially important consideration at the present time, for the hacienda members are acutely uncertain about the course events will take over the coming months. If the hacienda enterprises are not successful; if credit and inputs do not arrive on schedule and planting is disrupted; if the already widespread violence intensifies and spreads to become a generalized civil war; if the farms are returned to their former owners -- at least they will be able to salvage something from their individual plots.

The ISTA technicians have universally held that all commercial crops will be farmed collectively; but there has been variation on the way basic subsistence crops should be grown. Some have promoted the collective approach; some have established one collective exploitation along with a scattering of individual plots; others have provided each member with small parcelas dotted about the farm lands not suitable for commercial crops. In some cases, the individual plots are given out free of charge; in others they are paid for with a minimal sum, which is deposited in the cooperative treasury. Few hacienda members I have talked to wanted to cultivate subsistence crops in groups; those who said they would try it were doubtful that it would work. The decision to farm these crops collectively was always made by the technicians, not by the hacienda members.

The matter of whether or not commercial or subsistence crops should be farmed collectively or by individual farmers should be looked at very closely over the coming months. It is my opinion that subsistence crops should be grown largely, if not entirely, on an individual basis because the farmers see them as a source of security in an atmosphere of intense uncertainty. The organization of commercial crops such as coffee, sugar cane and cotton - as well as manioc, bananas, plantains, etc., etc. - should probably be maintained as a collective system for the time being. But at the same time the technicians should be in close touch with the thoughts of the cooperative members on the

matter, and be open to difficulties affecting productive efficiency that stem from the collective approach. It must be stressed that Salvadoran peasants have virtually no experience with group farming - except as laborers on haciendas, which is quite distinct from their expected role under the new system. It may develop that the haciendas will function more efficiently, with less internal conflict and higher production levels, with a system of individual farm exploitation backed up by cooperative administration of credit, inputs, processing, and marketing. The most viable arrangement will undoubtedly differ from hacienda to hacienda and be determined to some extent by the types of crops grown. Many variables must be looked at, and it is very difficult to say how things will look a year from now. It is clear, however, that close attention must be paid to the reactions of hacienda members, and a flexible attitude be taken by ISTA and MAG officials at all levels.

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THE MACRO-ECONOMIC SITUATION

TABLE I

EL SALVADOR

BALANCE OF PAYMENTS PROJECTION

1980-81

(In Millions of U.S. Dollars)

	<u>1979</u>	<u>1980</u>		<u>1981</u>	
		<u>Optimistic (Central Bank)</u>	<u>Pessimistic</u>	<u>Without Emergency Plan</u>	<u>With Emergency Plan</u>
1. Exports (FOB)	<u>1134</u>	<u>1080</u>	<u>966</u>	<u>832</u>	<u>872</u>
Coffee	685	687 ^{1/}	608 ^{1/}	510 ^{1/}	510
Cotton	88	86 ^{2/}	72 ^{2/}	50 ^{2/}	60
Sugar	27	14 ^{3/}	14 ^{3/}	20 ^{3/}	20
Shrimp	12	12	12	12	12
Other (to outside CACM)	51	49 ^{4/}	40 ^{4/}	40 ^{4/}	50
To CACM	272	232 ^{4/}	220 ^{4/}	200 ^{4/}	220
2. Imports (CIF)	<u>-1040</u>	<u>-1080^{5/}</u>	<u>-1040^{5/}</u>	<u>-1040</u>	<u>-1200</u>
3. Services - Net	<u>- 140</u>	<u>- 180</u>	<u>- 180^{6/}</u>	<u>- 180</u>	<u>- 180</u>
4. Transfers - Net	<u>56</u>	<u>55</u>	<u>55^{6/}</u>	<u>55</u>	<u>55</u>
5. Current Account Balance	<u>11</u>	<u>- 125</u>	<u>- 199</u>	<u>- 333</u>	<u>- 453</u>
6. Capital Total (Net)	<u>- 119</u>	<u>46</u>	<u>39</u>	<u>100</u>	<u>140</u>
Private	- 192	- 131 ^{7/}	- 131 ^{7/}	- 30 ^{8/}	- 30 ^{8/}
Official, long-term	40	87	80 ^{9/}	80 ^{11/}	120 ^{11/}
Banking Sector Non- Compensatory	33	90	90 ^{10/}	50 ^{11/}	50 ^{11/}
7. Total Overall Balance	<u>- 108</u>	<u>- 79</u>	<u>- 160</u>	<u>- 233</u>	<u>- 313</u>
8. Financed by:					
Compensatory Loans	-	38	38 ^{12/}		
Decline in International Reserves (or Foreign Exchange gap)	108	41	- 122		

1/ Coffee: For 1980:

Optimistic (Projection by Central Bank and Instituto Salvadoreño de Café)

1978/79 Coffee Crop	3.3 million quintales (1 quintal = 100 lbs.)
Carry-Over from prior years	1.0
Total	<u>4.3 million quintales</u>

Pessimistic Projection:

1978/79 Crop	2.8 million quintales
Carry-over from prior years	1.0
Total	<u>3.8 million quintales</u>

Price: \$160 per quintal for both projections

For 1981

Projection is for 3.0 million quintales at an average price of \$170 per quintal. A 15% reduction (below normal) was assumed owing to reduced application of fertilizer and less care, as well as the cyclical decline in output expected in 1981.

2/ Cotton: The "Optimistic" projection for 1980 is a Central Bank estimate. It projects the export of 1,200,000 quintales at a price of \$71.20 per quintal. For 1981, I projected a sharp drop owing to reduced plantings in 1980 relating to fear and uncertainty resulting from violence and the land reform program.

3/ The "Optimistic" projection for 1980 is a Central Bank estimate. It assumes export of 800,000 quintales at an average

price of \$18 per quintal. For 1981, I assumed .800,000 quintales (1/3 of normal) at \$25 per quintal.

- 4/ Mostly manufacturing exports: For 1980, Central Bank estimate. For 1981, manufactures are projected to continue to be low or to decline further on the assumption that the private sector climate continues to be unfavorable.
- 5/ In 1980, imports are projected (by the Central Bank at 3.8% above the 1979 level in current dollars. This allows for about a 7-8% decline in real terms, in line with the contracting GDP. I have assumed an even larger decline in my "Pessimistic" projection.
- 6/ Central Bank estimate.
- 7/ Projected by the Central Bank as a residual. The Central Bank estimated the maximum decline in foreign exchange reserves that it would permit -- about \$40 million -- then estimated independently the other items in the balance of payments, except for the net private capital outflow which was obtained as a residual. The country's short-term indebtedness (falling due in 1980), with expected coffee stocks pledged as collateral, is estimated as follows:

Outstanding Indebtedness of private Coffee exporters (as of Dec. 31, 79)	U.S.\$ 45.0 million
Outstanding Indebtedness of Coffee Institute as of Dec. 31, 79 (direct loans and advances)	<u>197.0</u>
Total Debt outstanding with Coffee Pledged as Collateral	242.0, million

- 8/ A much lower private capital outflow is projected for 1981 as it is assumed that most of the advances secured against prior-year coffee crops were repaid in 1980, and that tight controls make capital export very difficult. Still, allowance must be made for some repayments and for capital outflow as foreign banks may continue to reduce their exposure.
- 9/ Some \$134 million in long-term project assistance has already been contracted and is available for disbursement in 1980. In addition, some \$20 million could be obtained for two larger projects: a hydroelectric plant and a national road building project. Thus, the Central Bank feels that the \$87 million projected for official capital inflows (in the "Optimistic" projection) is a conservative estimate from the viewpoint of funding availability. From the standpoint of executing ability, however, the projection is quite optimistic. The "Pessimistic" projection assumes no improvement in project implementation in 1980.
- 10/ These are loans and credits from abroad that are independent of the country's balance of payments difficulties, i.e., they would have been obtained even in the absence of the balance of payment problem.

They are composed of the following in 1980:

Special Drawing Rights (IMF)	\$ 6.0 million
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Venezuelan Investment Fund	14.0
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Loans being currently negotiated

by the Banco de Fomento Agropecuario

with Commercial Banks and the IDB	\$ 7.0
Loans from the Central American Bank for Economic Integration (\$20 million for housing and \$10 million for Coffee rust control)	30.0
IMF Trust Fund (gold sales by IMF)	24.5
Advance deposit with Central Bank of IDB loan to Power Company (CEL)	9.0
Total Non-compensatory Inflow from Banking Sector in 1980	90.5

11/ By assumption. There are no data for 1981.

12/ "Compensatory" loans are composed of the following:

Stand-by from IMF, First Tranche	13.9
Loan from Central American Monetary Stabilization Fund	23.9

TOTAL

\$ 37.8

13/ Residual (the "decline in international reserves"
plus "compensatory loans" are equal to the
overall balance of payments deficit on line 7).

Table 2

SUMMARY OF FISCAL SITUATION OF CENTRAL GOVERNMENT
1978-1980
(IN MILLIONS OF COLONES)

	Actual 1977	Actual 1978	Actual 1979	1980	
				Original Budget	Emergency Plan
Current Revenues	1181.8	1027.0	1215.4	1292.8	1324.8
Current Expenditures	706.3	782.8	838.2	1123.0	1294.4
Surplus on Current Account	475.5	244.2	377.2	169.8	30.4
Capital Expenditures*	<u>506.3</u>	<u>341.8</u>	<u>414.8</u>	<u>524.4</u>	<u>477.8</u>
Direct Investment (Physical and Financial)	406.0	119.4	171.8	326.4	381.5
Transfers	100.3	123.0	131.1	124.1	94.1
Prior Year Obligations	-	99.4	111.9	73.9	2.2
Amortization of Public Debt	29.3	33.0	28.8	28.7	28.7
Total Expenditures (Net of Amortization)	1212.6	1124.6	1253.0	1647.4	1772.2
Overall Deficit*	- 30.8	- 97.6	- 37.6	-354.6	-477.4
Financing Required (Net)**					
External	52.0	96.7	30.0	143.7	244.4
Internal (and change in Cash Balance)	- 21.2	.9	7.6	210.9	233.0

* Excluding amortization

** Net of amortization payments

Source: For 1977-79 and original 1980 budget, Central Bank.
For last column, Emergency Plan for 1980, preliminary
version.

TABLE 3

TRENDS IN BANK CREDIT, BANK DEPOSITS AND MONEY SUPPLY
DEC. 28, 1979 TO APRIL 4, 1980
(In Millions of Colones)

	<u>Dec. 28, 1979</u>	<u>April 4, 1980</u>	<u>Percent Increase at Annual Rate</u> %
Total Credit of Banking System	3,228	3,638	51
Total Credit Extended by Central Bank	1,561	2,084	134
Deposits of Savings and Loan Associations	441	352	- 56
Deposits of Commercial Banks	1,716	1,735	4
Money Supply (Currency plus demand deposits)	1,408	1,531	35
Consumer Price Index (Dec. 1978 = 100)	114.8	121.2	22

Source: Central Bank, Reporte Monetario Semanal of Jan. 1, 1980 and April 10, 1980

ECONOMIC ANALYSIS TABLES

TABLE I

BENEFIT COST RATIO FOR THE AGRARIAN REFORM (US \$000)

YEARS	USAID COSTS	GOES COSTS	TOTAL COSTS	ACTUAL VALUE COSTS	PRODUCTION VALUE WITH PROJECT	PRODUCTION VALUE WITHOUT PROJECT	PROJECT BENEFITS	ACTUAL VALUE BENEFITS
1980/81	20	10	30	26.10	248.9	239.7	9.2	8.0
1981/82	50	25	75	56.70	233.9	200.0	33.9	25.6
1982/83	50	25	75	49.35	230.4	180.9	49.5	32.6
1983/84	50	25	75	42.90	237.0	168.9	68.1	39.0
1984/85	50	25	75	37.28	249.8	164.5	85.3	42.4
1985/86	24	12	36	15.55	262.2	166.1	96.1	41.5
1986/87	--	12	12	4.51	275.4	174.5	100.9	37.9
1987/88	--	12	12	3.92	289.1	183.2	105.9	34.6
1988/89	--	12	12	3.41	303.6	192.4	111.2	31.6
1989/90	--	12	12	2.96	318.7	202.0	116.7	28.8
Present Value's addition (at 15%)				242.68	--	--	--	322.0

B/C Ratio at 15% equals: 1.33

TABLE II

ANNEX II.B.2.

Page 2 of 3

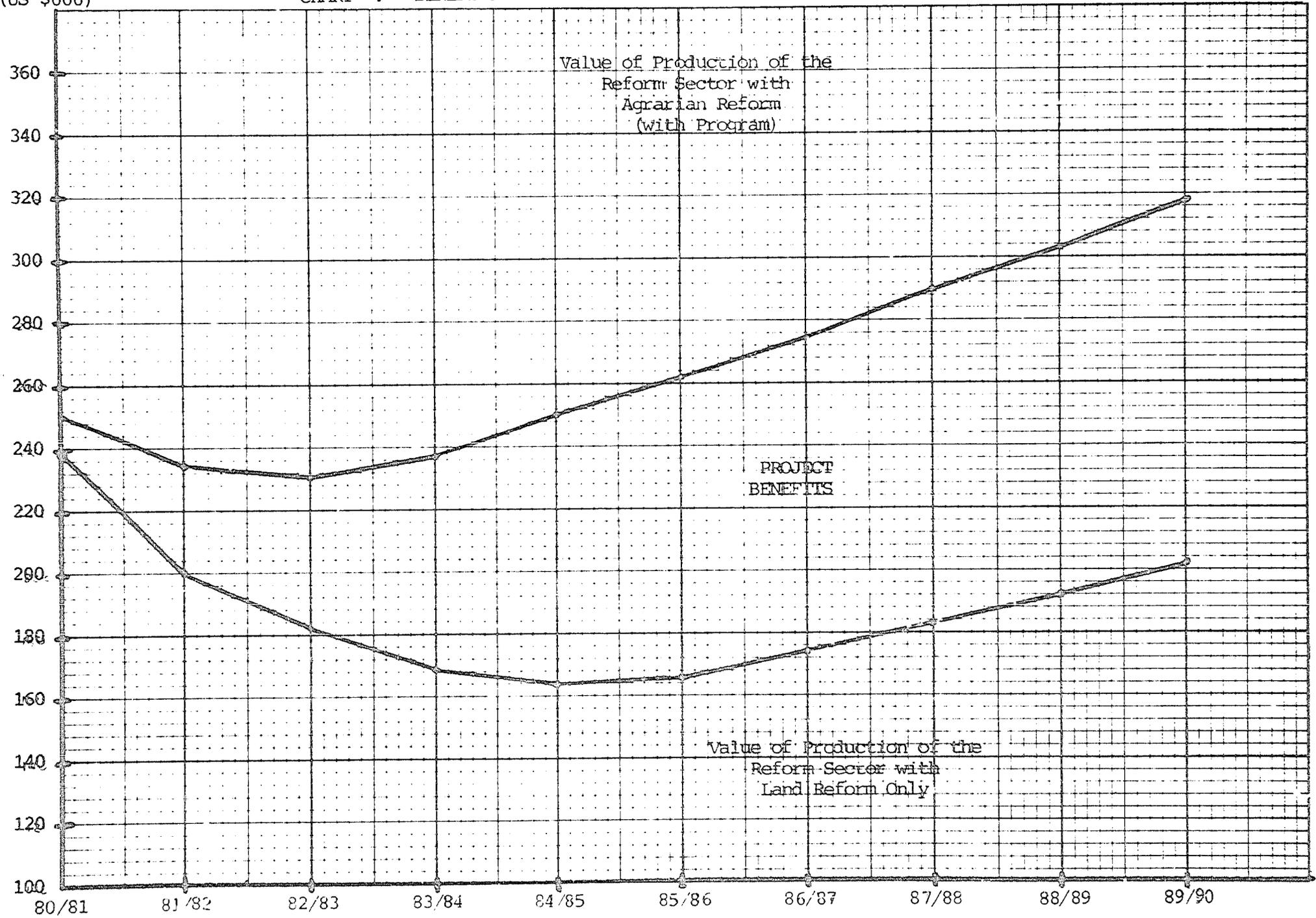
Area and Estimated Production of 106 farms
of Phase I

	Area in Hectares	Produc. in Quint. (100 lbs)	Value in \$	Quintales per Hectare
Coffee	6,559	165,153	12,096,484	25.2
Sugar cane	6,746	686,205 ^{1/}	8,163,620	101.7
Cotton	6,187	326,950 ^{2/}	9,902,576	52.8
Beans	1,405	20,422.5	702,428	14.5
Sorghum	2,105	145,390	1,339,116	69.1
Rice	2,238	212,030	2,036,820	91.1
Corn	8,127	626,065	6,068,430	77.0
Sesame	1,161	35,530	711,790	30.6
Fruit	244	--	301,060	-
Corn-Beans	111	2,300	52,560	-
Corn-Sorghum	239	10,955	92,866	-
Others	616	--	327,794	-
106 Farms	35,828		\$40,795,544	--
Phase I ^{3/}	81,114		\$92,360,299	

^{1/} Tons^{2/} Quintales of seed cotton^{3/} Projected area and value of production on Phase I farms from sample of 106 farms

(US \$000)

CHART . BENEFITS OF AGRARIAN REFORM AS OPPOSED TO LAND REFORM ONLY



CENCAP - Phase 1 Training Course Outlines

Technicians

Phase 1 technicians will entail training for 300 ISTA government technicians (farm managers) in one week courses in 4 different areas:

1. Farm management and administrative procedures such as work plans, payroll regulations, procurement, budgets, etc. required by ISTA MAG in order to provide the funds.

2. Organizational Development of cooperatives productive enterprises, i.e.: creation of a board of directors, managing work sessions cooperatively drawn work plans, community participation.

3. Accounting and financial requirements, i.e., accounting procedures, production credits, inventory control, production costs. etc.

4. Agricultural and agroindustrial techniques, such as: fertilization, crop variety, plague control, resource utilization, irrigation, etc.

CENCAP will utilize trainers from other GOES agencies such as BFA, ISTA, INSAFOCOOP, ISIC and private consultants or firms to bolster its own manpower force for carrying out Phase I training activities for the technicians.

Mid Level Technicians

This training is for 20 to 30 MAG technicians involved in the agrarian reform. These one-week training courses will focus on:

1. Management and administrative skills that would help to minimize bureaucratic procedures within the Ministry and increase their planning and organizational capabilities, e.i., project designs, etc.

2. Financial analysis and accounting procedures as well as

acquisition of funds, cost control, credits, etc.

Promoters

300 promoters from the Community Development Division of ISTA will participate in one week training courses that will concentrate in the following areas:

1. Community development
2. Group dynamics
3. Accounting
4. Utilization of inter-sectoral community agencies and services
5. Teaching methodology
6. Literacy - Adult Education

Farmer Leaders - Producers

One week training courses will be specially designed for the leaders according to their felt needs. Nevertheless, a basic course content would include:

1. Content and interpretation of the legal aspects of the agrarian reform decrees.
2. Socio economic effects of these decrees on the rural population.
3. Productive units - basis for a successful agrarian reform.
4. Motivation for cooperative management
5. Leadership roles
6. Accounting and administrative procedures used in agricultural enterprises.
7. Commercialization of their products.
8. Agricultural technology appropriate for their own particular enterprises.
9. Procedures used for purchase of materials, credits. etc.

These courses will be held at 10 rural training centers, fully equipped to handle 50 participants at any one time.

Campeños - Producers

The members of the rural enterprises will be reached through special courses delivered in the enterprise itself. These courses will be short term and will deal with relevant actual problems felt by the participants. To complement these seminar-workshops a set of specific course contents will be delivered by the mobile units teams. The latter will encompass:

1. Basic organizational concepts.
2. Cooperative Management
3. Group decision making.
4. Accounting.
5. Development of mutually agreed work plans.
6. Management of human and financial resources.
7. Agricultural techniques.
8. Roles, rights and responsibilities of ISTA, MAG and beneficiaries during the period of co-management.

FOREIGN OBSERVATION TRAVEL

The distribution of the 26 trips is as follows:

1. CENCAP and ISTA's community and agrarian development trainers will visit such training installations as Farmlands Training Institute in the U.S.A., SENA in Columbia and CENCIRA in Peru. Trips to Israel are also contemplated. Each institution will receive, ten trips.
2. CENIA, and mortgage Bank (ex-Cofinta), property registry and cadaster officials will visit Costa Rica, the Dominican Republic, the United States, Taiwan and the Phillipines to study how systems of property registry, titling, and land mortgage banking work in those countries. CENIA will receive 8 trips and each of the others two.
3. Eight foreign observation trips will be for other high-level GOES officials in relation to the agrarian reform. The Vice-Minister of Agriculture will determine the participants and itineraries with Mission concurrence.

TECHNICAL ASSISTANCE, TRAINING COMPONENT

SPECIALTY	No.	DURATION	INSTITUTION		C O S T
			ISTA	CENCAP	
Campesino Organization	1	3 p/m	1		20,000
Educational Administration	1	3 p/m		1	20,000
Administration of Agriculture and Livestock Enterprises	1	12 p/m	1		30,000
Adult Education Teaching Methodology	1	12 p/m		1	100,000
Research and Evaluation	1	3 p/m		1	20,000
Women in Agricultural Development	1	3 p/m		1	20,000
T O T A L	6	36 p/m	1	5	260,000

CENCAP DETAILED BUDGET

Phase I	LOAN	GRANT	T O T A L
CENCAP (1/81 - 12/81)			
<u>Operating Expenses</u>			
8 Centers			
Personnel (\$41 each center)	328	-	328
Operating (\$19 each center)	152	-	152
6 Mobil Units			
Personnel (\$19.4 each)	116	-	116
Operating (\$10.6 each)	64	-	64
Training Supplies	88	-	88
Supervision, veh. man. & fuel	8	-	8
Misc.	31	-	31
Sub-total	<u>787</u>	<u>-</u>	<u>787</u>
<u>Investment Costs</u>			
Vehicles (15)	148	-	148
Mobile Units (5)			
Vans (5 X 12)	60	-	60
Equipment & installation (5X8)	40	-	40
Furniture, Equipment & Supplies (5 centers)		-	135
Refurnish (5 centers)	30	-	30
Sub-total	<u>413</u>	<u>-</u>	<u>413</u>
<u>Technical Assistance</u>			
Long-Term			
Adult Educ. Methods 12 P.M.	-	80	80
Short-Term			
Ed. Adm. 3 P.M.	-	20	20
Research & Eval. 3 P.M.	-	20	20
Women in Develop. 3 P.M.	-	20	20
Sub-total	<u>-</u>	<u>140</u>	<u>140</u>
T O T A L	<u>1200</u>	<u>140</u>	<u>1340</u>

Yearly Operating Cost of One Mobile Unit
and of One Training Center

<u>Mobile Units</u>	<u>\$ 000</u>
Professional Personnel 24 P.M.	16.3
Driver	2.6
Maintenance & Operating Cost	3.0
Teaching Materials	6.7
Insurance & Miscellaneous	1.4
	<hr/> \$30.0

Output: 2000 P.W./annum

<u>Center</u>	
Professional, 48 P.M.	27.5
Support Staff	12.5
Food	6.1
Maintenance & Operating Cost	7.9
Teaching Materials	4.8
Insurance & Miscellaneous	1.2
	<hr/> \$60.0

Output: 2000 P.W./annum

COST OF REHABILITATION & EQUIPPING OF
FIVE CENCAP TRAINING CENTERS

	<u>\$000</u>
Rehabilitation	30.0
Furniture	32.2
Recreational Equipment	3.7
Electric Equipment	66.1
Kitchen & Eating Equipment	9.1
Office Supplies	8.9
Disponible Property	6.3

\$ 167.6

or \$33,500 per center

CENCAP VEHICLES	UNIT COST	TOTAL COST
a. 5 vans with capacity for 6 people and audiovisual equipment	\$12,000	\$ 60,000
To be assigned 1 per agricultural region		
b. 3 pick-ups, 1/2 ton diesel - 4 wheel drive	13,000	39,000
To be used for field supervision sup- porting the administrative offices that will be doing follow-ups, eva- luation of the rural training centers and the mobile units		
c. 5 mini-buses	12,000	60,000
Transportation of technicians and campesinos to the rural training centers		
d. 5 Jeeps	7,000	35,000
Transportation of trainers assigned to the centers		
e. 2 Jeeps	7,000	14,000
For technical assistance consultants and the research and evaluation unit		
		<hr/> \$208,000 <hr/>

EQUIPMENT NEEDS FOR PROMOTION
AND
CAMPESINO ORGANIZATION

	<u>\$000</u>
1. <u>Audio-Visual Equipment</u>	
19 Movie projectors	26.6
19 Generators	6.1
19 Slide projectors	3.8
19 Overhead projectors	6.1
19 Megaphones	3.8
4 Sound systems	10.5
4 Mimeographs	1.9
300 Blackboards, chalk & erasers	14.7
19 Stabilizers	1.9
300 Graphic Portfolios	<u>1.8</u>
Sub-total	77.2
2. <u>Training Materials</u>	
300 Teaching Aids	12.0
41,000 pamphlets \$.80 each	32.8
76 boxes of acetates	4.0
Sub-total	<u>48.8</u>
3. On-farm made teaching AID's	10.0
4. Other materials & supplies	<u>14.0</u>
T O T A L	<u><u>150.0</u></u>

Requirements and Budget for Hacienda
Leadership and Promotor Exchange
and Regional Leader Conferences

Requirements: 40 folding beds , four vehicles with chauffer, one person to manage and organize the process in the Division of Community and Agrarian Organization and the appointment of a regional coordinator at each regional ISTA office;

<u>BUDGET</u>	<u>\$000</u>
-- 4 vehicles at (\$9000)	36.0
-- Fuel and maintenance (4 x 3600)	14.4
-- 4 chauffer/messangers (2800)	11.2
-- 1 Program Coordinator	6.2
-- Food for 3800 leaders at 16 regional conferences at \$6.	22.8
-- Food for 234 promoters at \$6. x five days in regional conference	7.0
-- Other costs	<u>2.4</u>
	\$100.

ISTA Community and Agrarian Development
Research and Training

<u>Professional Personnel</u>	<u>12 mo.</u>	<u>15 mo.</u>
	<u>\$ 000</u>	
4 Educators	34.8	
2 Sociologists	17.4	
4 Economists	26.1	
1 Statistian	8.7	
4 Business Admin.	26.1	
4 Agronomists	26.1	
4 Social Workers	<u>24.8</u>	
Sub-Total	164.0	<u>205</u>
<u>Support Personnel</u>		
3 Secretaries	15.0	
6 Messengers/Drivers	<u>17.0</u>	
Sub-Total	32.0	<u>40</u>
<u>Machinery and Equipment</u>		
6 vehicles	48.0	48
Maintenance and Gasoline (\$300/mo.)	<u>21.6</u>	<u>27</u>
Sub-Total	69.6	75
<u>Office Supplies & Equipment</u>		
3 typewriters (\$1,200)	3.6	3.6
Calculators	1.6	1.6
Office Furniture	3.7	3.7
Materials & Supplies	10.0	12.1
Office Space	<u>7.2</u>	<u>9.0</u>
	26.1	30.0
		350

TECHNICAL ASSISTANCE CENCAP
CONSULTANTS SCOPES OF WORK

Educational Administration and Rural Development 6 p/m

- These advisory services should be oriented towards the institutionalization of the training of rural enterprise administrators, preferably the youthful sector. Also, towards the creation of training schools on simplified administration at the campesino level.
- Teaching methods for adult education related to campesino training.
(And implementation of the teacher training unit 12 p/m.)
- The organization of teacher training unit is being provided for within the structure that CENCAP is adopting in accordance with its institutional expansion and technical requirements that this expansion demands. Therefore, the guidance of a specialist will be necessary. Furthermore, among its policies, the institution has one of seeking the methodology patterns that would lead to the achievement of positive results in its training activities.
- 1. Research and Evaluation Specialist 6 p/m
- The purpose is to strengthen the Research Division to such extent that training be based on need surveys rather than simple demand.
- The institutional expansion also demands for the establishment of an adequate evaluation system.
- It is deemed necessary to mention that this technical assistance

package has been designed so that, in many aspects, it will be complemented with assistance from other donors as PNUD, FAO and BIRF.

- CENCAP has a committee that rationally coordinates the technical assistance received both to avoid duplication and to assure continuity and/or re-inforcement of the needy areas.

International Director for the Project

Duration: 28 months

- Duties :
- Advise CENCAP Direction on general institutional policy, planning, programming, and monitoring of CENCAP program implementation.
 - Assist CENCAP Institutional Planning Unit in accomplishing specific tasks such as:
 - Participate in the development of training activities for agricultural technicians and agricultural producers and workers, and conjugate all actions of the World Bank loan within the project.
 - Conduct and administer the project.

Expert in Rural Administration

Duration: 15 months

- Duties :
- Advise CENCAP Divisions of Campesino Training and Technicians Training in all aspects related to rural administration.
 - Define a methodology for agricultural production planning at the farm unit level, which conforms with the Salvadoran reality.
 - Design models for training activities on production planning and farm units management, adapted to public sector technicians and agricultural producers and workers.

Expert in Communication

Duration: 15 months

- Duties :
- Advise CENCAP Communication Department on all aspects related with communication, establishment, equipping and operation of CENCAP Communication Department.
 - Define appropriate methodologies for the use of massive communication media as a support tool and complement of educational programs.
 - Carry out training activities for technicians and campesinos on the use of communication media.

Expert in Rural Training

Duration: 15 months

- Duties : -Advise the Campesino Training Division in all aspects related to planning, implementation and evaluation of all training activities.
- Determine training needs, methodologies and operating models for training activities for agricultural producers and workers.
 - Carry out training activities for agricultural producers and workers on social organization topics.

Home Economics Advisor

Duration: 6 months

- Duties : -Analyze the present situation of the academic training delivered to the teachers of the Home Extension Service and define the professional profiles.
- Create a model of academic training as a guide on what steps are to be taken to implement the proposed academic training model.

Technical Assistance Advisor

Duration: 6 months

- Duties : -Advise the Training Division of CENCAP in every aspect related to planning, implementation and evaluation of the in-service training activities.
- Define methodologies and operation patterns for such training activities.

Marketing Advisor

Duration: 4 months

- Duties : -Give advisory services to the Training Division for the CENCAP technicians in every aspect related to planning and implementation of training activities on agricultural products marketing.
- Define training activities, methodologies and functional patterns on agricultural products marketing for professionals and technicians of the agricultural and livestock public sector.

- In collaboration with the technicians training division and the CENCAP Communications Division, prepare teaching materials and bibliography in connection with different aspects of the agriculture and livestock products marketing. Implement training activities.

Agro-Industry Advisor

Duration: 4 months

- Duties :
- Define methodologies and functional patterns for training activities for agriculture and livestock technicians, producers and workers on agro-industry use - in small and medium scale - of agriculture and livestock raw materials.
 - Prepare teaching materials and bibliography in connection with this field.
 - Encourage women participation in agro-industry training activities.
 - Carry out training activities on agro-industry at family level for agriculture and livestock professionals, technicians, producers and workers.

AGRICULTURAL CREDIT SUPPLY AND DEMANDA. Credit Demand

The agrarian reform has had a significant impact on the demand for credit at the farm level:

1. As pointed out in the Agricultural Reform Credit PP with the Phase I reform has come a need to replace former owner working capital and the other financing resources that he supplied for farm investment for which little or no institutional credit resources exist. For Phase I some \$125 million is required to meet these needs.

2. The effect of the reform on the credit needs of Phase II farms is not clear, nor is it as easily quantified as the Phase I demand. It is on Phase II farms, those targeted as affected, but not yet expropriated, that production is expected to drop because of owner insecurity about the reform, the fear of personal violence (the Phase II owner is much less apt to be absentee than the Phase I ex-owner), fear of a repetition of last few years' crop burning, labor turmoil, and mid-agricultural cycle minimum wage increases. Many of these farmers have lost money in the last few years and have had to roll-over their credit. Some, under these circumstances, understandably, are not planting their cotton or replanting their part of their cane as they would in normal years. These factors, then, would tend to contribute downward pressure on their overall credit demand. On the other hand, as pointed out in the Strategy Statement, strong incentives, including a 20% larger reserve, exist for those who do plant. Still, on balance, it is thought that the credit needs of these Phase II farms will probably be lower than normal.

3. The "tiller" and traditional small and medium farm sector will have higher credit demands this year. Factors underlying this increase are various: (1) increased costs, (2) negative real interest rates, and (3) high rural unemployment, which reduce the capability of tillers, most of whom receive a high percentage of their income in farm labor wages, to self-finance their mostly subsistence crops.

The Agricultural Development Bank (BFA) is adjusting quickly to the changing land tenure situation and the resulting shifts in the credit demand picture. Table 1 shows the current estimate of credit needs for the traditional agricultural sub-sector for the 1980-81 crop year is \$101.1 million. This compares to \$83.2 million of credit granted in 1979 to the same sub-sector. The credit demand for the traditional farmers projected in the BFA plan for 1980/81 appears to be realistic and is additional to the \$125.8 million needed by the Phase I agrarian reform farms.

There is not sufficient information available for all crops and commodities produced on small farms to determine the full extent of the unfulfilled credit demand by small farmers. There is, however, sufficient information to demonstrate that a large portion of the need for basic food crops credit is not being supplied under the above credit program. Table 2 shows that \$25 million

is the minimum unfulfilled demand only for basic food crops for farms of less than ten hectares.

It should be noted that the unfulfilled credit demand of \$25 million is only the tip of the iceberg. Many small farmers also produce cotton, coffee, sugar cane (panela) and livestock. Many also have a need for medium and long-term credit which is not included in the above estimate. And, as previously mentioned, a large part of the land recipients under Phase I will require credit financing approximately three times as high as the estimate per hectare used in the table. In fact, the use of "minimum credit needs" ^{1/} is one way that the BFA now under-finances its clients. Another is by limiting the amount of hectares it will finance per client.

B. Credit Supply

BFA's credit demand figures are also credit supply figures in that the BFA plan is based upon the expected availability of funds from the sources shown below and is not really a reflection of expected credit demand. The sources are:

	<u>Millions of Dollars</u>	<u>Percent</u>
Resources of BFA	37.4	37
Central Bank Resources	54.4	54
External Resources	9.2	9
T O T A L	<u>101.0</u>	<u>100</u>

It should be noted, however, that the bank was projecting a lending level of \$101.0 million for 1980 based on resources available and on anticipated credit needs. This projection has been altered significantly by reduced recuperations due to: (1) the instability in the countryside which has included burning of crops, crop theft, abandonment of certain areas by campesinos, and a general sense of insecurity which results in the holding of liquid assets rather than the repayment of loans; (2) a small amount of BFA credit was in special development programs on some Phase I haciendas, and repayment of these loans will be deducted from former owner compensation but for the present is frozen; and (3) the BFA had been counting on a \$16.5 million IDB agricultural credit loan which although approved has not been authorized or signed because of fifth replenishment delays. BFA officials have told the Mission that recoveries this year were down 30%.

Similar problems exist in supplying credit to the reform sector. The commercial banks using Central Bank discount lines are the traditional sources of financing for these farms, but recuperations have been low due to instability and the fact that banks have yet to be reimbursed their share of expropriated owners' compensation.

^{1/} The amount of "minimum credit need" is about 1/3 of what the Central Bank allows under its other lines. "Minimum credit" is only cash outlay for inputs. Wages are not financed.

At the same time that credit demand has increased, its supply has contracted. The result is rationing and a credit squeeze. Because of the subsidized interest rate policy, non-market rationing mechanisms are used.^{1/}

The credit problem cannot be completely solved internally because the provision of the needed credit by the Central Bank would add too much to inflationary pressures. An increase in foreign assistance earmarked to increase BFA capitalization would best serve the present need and situation.

^{1/} Although agricultural and especially basic grain's interest rates are subsidized in El Salvador, so are interest rates in general. Mission officials have discussed this problem with the Ministry of Planning and high-level BFA officials, all of whom recognized it as a serious problem which they have inherited and in which changes were going to be made. One official blamed much of the capital flight that El Salvador has had over the past several years on higher external rates and a fixed exchange rate. Guatemala has had a similar problem. Now that international rates have fallen and strict exchange controls imposed there is less of a drain for these reasons.

TABLE I

Credit Targets for Agricultural Year1980/81 for Traditional Farms 1/

<u>Crop or Purpose</u>	<u>Area in Manzanas</u>	<u>Credit Target (U.S.Dollars)</u>	<u>Disbursement thru June/80 (U.S.Dollars)</u>	<u>Percent Disbursed</u>
Corn	94,647	26,766.00	19,753.60	74
Sorghum	44,546	4,790.00	3,064.00	64
Beans	24,150	4,578.00	2,636.80	58
Rice	11,029	6,084.00	2,745.20	45
Vegetables	2,756	1,644.00	718.80	44
Fruits	945	598.00	45.60	8
Cottong	17,646	15,728.00	2,860.00	18
Sugar Cane	5,278	1,900.00	1,285.20	68
Coffee	3,574	3,730.00	1,636.40	44
Natural Resources	331	822.00	99.60	12
Agr. Machinery	-	1,748.00	390.40	22
Misc. crops	3,860	1,034.00	387.20	37
Cattle	-	10,456.00	3,920.00	37
Other Livestock	-	804.00	567.60	71
Pasture and Forage	4,619	1,268.00	478.80	38
Fish	-	2,372.00	532.00	22
Rural Development	-	11,342.00	2,419.20	21
Other	-	5,400.00	415.20	8
TOTALS	213,381	101,064.00	43,956.00	44

1/ Traditional farms are small and medium farms that are not under the Agrarian Reform Program except that they do include farms that may be affected by Decree 207.

SOURCE : Plan Crediticio, 1980, Banco de Fomento Agropecuario.

Table 2

CREDIT DEMAND AND AVAILABILITY FOR BASIC FOOD CROPS ON FARMS OF LESS THAN
10 HECTARES

C R O P	Total Area Planted	Receiving BFA Credit 1980 Plan	Receiving No Credit 1980 Plan	Minimum Credit \$/Ha. <u>1/</u>	Apparent Unfilled Demand (Millions \$)
Corn	123,311	58,664	64,647	240	15.5
Sorghum	57,050	24,646	32,404	78	2.5
Beans	31,221	10,479	20,741	146	3.0
Rice	8,985	3,065	5,919	474	2.8
Vegetables	3,369	655	2,714	506	1.4
Fruits	674	25	651	662	0.4
T O T A L S	224,610	97,534	127,076	---	25.6

1/ Minimum credit needs are based on BFA experience with small farmers. Basically they represent the cash outlay for seed, fertilizer and pesticides and do not include wages, land preparation, etc. Total production costs allowable by the Central Bank average approximately three times the amounts used here.

SOURCE: Working documents, Banco de Fomento Agropecuario and USAID/RDO.

BENEFICIARY BROADENINGPersonnel & Technical Assistance Requirements and Tailored BudgetsOSPA PERSONNEL REQUIREMENTS(1) Terms of reference of technical personnel for the four field teams:

Four graduate agricultural economists with a minimum of three years experience in planning, organization and administration of agricultural properties.

Four agronomists with five years experience in administration and management of rural properties.

Four livestock specialists with a minimum of five years experience organizing and managing livestock enterprises.

Four extension agronomists representing ISTA.

Four agronomists representing BFA.

All of the above agricultural technicians must have at least an ingeniero agrónomo degree.

(2) Terms of reference for the technical group to be located in OSPA:

One economist or ingeniero agrónomo, with at least five years experience in the agricultural sector. A substantial portion of this experience must have been in planning and coordinating the activities of work groups.

One graduate economist, with at least three years experience in the agricultural sector in the area of investment projects.

One graduate economist with at least three years experience in the agricultural sector in the area of programming.

One graduate agronomist with at least five years experience in the agricultural sector in the area of crop production.

One graduate animal husbandry technician with at least five years experience in the agricultural sector in the area of programming and managing livestock enterprises.

One sociologist, ingeniero agrónomo equivalent with five years experience in the area of promotion, organization and training agriculturists.

Administrative: 1 bilingual secretary, 2 secretaries, 1 messenger and 1 chauffeur.

Technical Assistance Requirements

This activity will require the short term services of four highly qualified agricultural consultants who will make a total of four trips each to El Salvador during the eighteen months required for implementation and evaluation. Specialties required are:

(1) Agricultural Economist - Organization and Management

The incumbent should have a Masters or PhD degree in Agricultural Economics. He should have broad experience in managing field survey teams as well as organizing and directing data processing and policy formulation staffs. Experience in working with Latin American Agricultural Planning offices at the national level would be helpful. Fluency in speaking the Spanish language is essential.

(2) Agricultural Economist - Farm Management

The incumbent should have a Bachelor or Master's degree in Agricultural Economics. Broad practical experience, however, is more important than degrees obtained. This experience should include employment as a farm manager on two or more U.S. farms. Overseas experience dealing with farmers is desirable. Spanish language speaking proficiency is essential.

(3) Agronomist - Tropical Crops and Soils

This assignment requires a broad gauged practical agriculturist with extensive field experience preferably in Latin America. He must be fluent in Spanish.

(4) Livestock Specialist - Swine and Dairying

The specialist should have a BS or Masters in Animal Husbandry. At least five years in practical livestock production is desirable. Overseas experience would be helpful. He must be fluent in the Spanish language.

Agricultural Economist - Organization and Management

	<u>Period</u>	<u>Days</u>
4 Trips	November 1, 1980 to December 15	30
	February 1981	15
	April 1981	15
	May or June 1981	15
		<hr/>
		75 workdays

Field Economist, Agronomist and Livestock Technician

	<u>Period</u>	<u>Days</u>
4 Trips each	November 15, 1980 to December 15	20
	February 1981	15
	April 1981	15
	May or June 1981	15
		<hr/>
		65 workdays
65 work days x three technicians		195 days
195 days = 9 person months approximately		

SALVADORAN OSPA BUDGET

(1) Technical and Administrative Personnel

Four Agricultural Economists at \$800 per month for 18 mos.	\$57,600.-
Four Agronomists at \$800 per month for 18 months	57,600.-
Four Livestock Technicians at \$800 per month for 18 mos.	57,600.-
Four ISTA Agronomists at \$800 per month for 18 mos.	57,600.-
Four BFA Credit men at \$800 per month for 18 mos.	57,600.-
Three Economists at \$920 per month for 18 mos.	49,680.-
One Agronomist at \$920 per month for 18 mos.	16,560.-
One Livestock Technician at \$920 per month for 18 mos.	16,560.-
One Sociologist at \$920 per month for 18 mos.	16,560.-
One Bilingual Executive Secretary at \$360 per mo. for 18 mos.	6,480.-
Two Secretaries at \$240 per month for 18 mos.	8,640.-
One Messenger at \$160 per month for 18 mos.	2,880.-
One Chauffeur at \$160 per month for 18 mos.	3,240.-
	<hr/>
Sub-Total	\$ 408,600.-
Aguinaldos	34,300.-
TOTAL	<hr/> \$ 442,900.-

(2) Machinery and Equipment

5 four wheel drive diesel vehicles at \$12,000 each	\$ 60,000.-
Vehicle O & M at \$400 per month for 18 months	36,000.-
	<hr/>
	\$ 96,000.-

(3) Office Supplies and Equipment

Three electric typewriters at \$1,200 each	\$ 3,600.-
Calculators, desk and pocket (for field use)	1,600.-
Office furniture	3,700.-
Materials and supplies	10,000.-
Office rent	7,200.-
	<hr/>
	\$ 26,100.-
Total, OSPA	\$565,000.-

U.S. TECHNICAL ASSISTANCE BUDGET

AGRICULTURAL ECONOMIST -- ORGANIZATION AND MANAGEMENT

65 work days at \$160 per day	\$ 10,400.-
DBA Insurance	750.-
Air fare and excess baggage (4 trips)	2,400.-
Per-diem 90 days x \$50/day	4,500.-
Medical examination	100.-
Other direct cost	400.-
Overhead 80% of salary	8,320.-
	<hr/>
	\$ 26,870.-

FIELD ECONOMIST, AGRONOMIST AND LIVESTOCK TECHNICIAN

195 work days at \$160 per day		\$ 31,200.-	
DBA Insurance		3,000.-	
Air fare and excess baggage (4 trips)		9,600.-	
Per-diem 273 days at \$50		13,650.-	
Medical examinations		300.-	
Other direct cost		1,200.-	
Overhead 80% of salaries		24,960.-	
		<hr/>	
		\$ 82,260.-	
	TOTAL...	\$109,130.-	or
		\$110,000.-	
ACTIVITY	TOTAL	\$675,000.-	

DETAILED BUDGET

IMPLEMENTATION OF DECREE 207

I. Operational Support*		880,000**
A. Salaries		
200 field workers x \$360/mo x 5 months	360,000	
B. Per diem	192,600	
14 departmental supervisors x \$6/day x 10 days/mo. x 6 mos.	2,520	
72 agency supervisors x \$6/day x 20 days/mo. x 6 mos.	51,840	
288 field workers x \$4.80/day x 20 days/mo. x 5 mos.	138,240	
C. Transportation	297,600	
80 vehicles x 6 mo x \$300/mo.	144,000	
Gas: 80 vhcls. x 160 gal/mo.x \$2/gal.x 6 mos.	153,600	
D. Materials	30,000	
Instruction materials	2,000	
Forms	10,000	
Maps	10,000	
Misc.	8,000	
II. Documentation Center		250,000
A. Computer Services	150,000	
B. Local Professional Staff (1 year)	100,000	
Director	40,000	
Sr. Programmer	30,000	
Information Management Spec.	30,000	

* Operational Support is additional to available GOES resources. CENTA and MAG employees will make up 70% of total personnel requirements. This component will finance the remaining 100 field worker positions.

** Rounded down.

III.	Informational Campaigns		150,000
	A. Local Consulting/Advertising firm	50,000	
	B. Radio Spots	40,000	
	C. Newspaper	20,000	
	D. Pamphlets	20,000	
	E. Other	20,000	
IV.	Institution Building		350,000
	A. Reinforcement of Departmental Land Registry Offices	166,000	
	B. Establishment of Zonal Agrarian Reform Cts.	184,000	
	1. 4 Courts equipped x \$10,000	40,000	
	2. \$6,000/staff/mo. x 4 courts x 6 mos.	144,000	
V.	Technical Assistance		370,000
	A. Long Term	<u>200,000</u>	
	1. Agrarian Reform Advisor (1 year x \$100,000/year)	100,000	
	2. Systems & Procedures Specialist (1 year x \$100,000/year)	100,000	
	B. Short Term	<u>170,000</u>	
	1. Legal Advisor 3 PM x \$10,000/mo SOW* implementing regulations with respect to titling, land registration, land payments, compensation, grievances, rights and obligations of beneficiaries and ex-landowners, voluntary land consolidation.	30,000	
	2. Legal Advisor 2 PM x \$10,000/mo SOW: Grievance procedures, design of structures, function and responsibilities of agrarian reform court system.	20,000	

* SOW = Scope of Work.

3. Land Titling & Registration Advisor
4 PM x 10,000/mo 40,000

SOW: Design of documentation, procedures and identify institutional requirements of ISTA, COFINIA, Land Registry, Cadaster.

4. Cadastral Advisor 2 PM x \$10,000/mo 20,000

SOW: Methodology and procedures for land measurement, land valuation, integration of these procedures into existing cadaster system.

5. Organizational Management Specialist
6 PM x \$10,000/mo. 60,000

SOW: Advisory assistance with respect to internal organizational structure function, and resource requirements of principal institutions responsible for implementation of Decree 207 (ISTA, COFINIA, Land Registry, Cadaster, BFA) Advisory Services re the institutional system, e.g. the structure of inter-agency relationships.

TOTAL COSTS

2,000,000

SCOPE OF WORK

Position Title : Agrarian Reform Advisor
Period : 1 Year
Estimated Cost : \$100,000
Scope of Work :

The advisor shall advise the Government on the design of an implementation program for Decree 207. He/she shall assist in the preparation of detailed plans for provisional and final titling, land registration, compensation to ex-land owners and land payments by beneficiaries. Definition of institutional responsibilities in the reform process, budgets, work schedules and management and coordination systems shall be a part of this task.

The advisor shall recommend a methodology to determine beneficiary amortization schedules for beneficiaries, procedures for collection of land payments, ex-landlord compensation, disposal of rented lands in excess of the 7 ha. limit and other procedural and methodological matters.

The advisor shall furthermore, assist in the identification of major policy and program issues that require attention for the reform to realize its intended goals and full potential. He/she shall advise on the need for operational research and field investigations whose focus has immediate program implications and will function as team leader.

Fluent Spanish and experience in Latin America is indispensable.

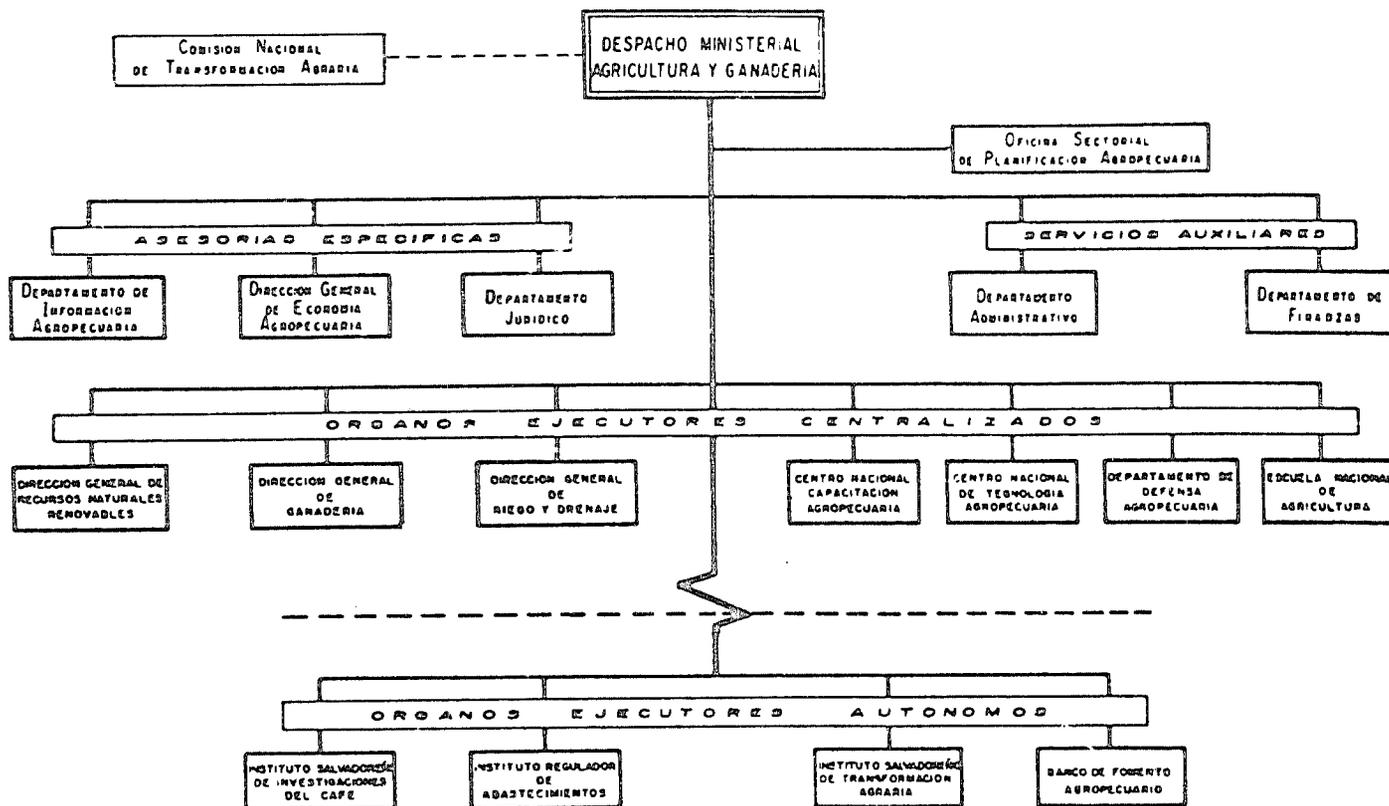
SCOPE OF WORK

Position Title : Systems and Procedures Specialist
Period : 1 year
Estimated Cost : \$100,000
Scope of Work :

The advisor shall recommend the design of a data handling and management system which provides for the efficient and reliable processing of field data into end products of land titles, beneficiary lists, compensation lists, bonds, amortization schedules, etc. Based on a systems analysis of the program's data management requirements, computer specifications and software will be specified, alternative systems identified and costed out. Personnel and other physical resource requirements shall be identified.

The advisor shall assist with installation of the system selected by the Government, train key personnel as appropriate and work closely with short term Organizational Management Consultants to insure that the information processing and handling systems are properly integrated into the overall reform implementation system and other informational and registry systems kept by the national cadaster, land registrar, etc.

ORGANIGRAMA ESTRUCTURAL DEL SECTOR PUBLICO AGROPECUARIO^o



o La representación no indica niveles de autoridad

INSTITUTIONAL ANALYSIS

1. CENCAP - (National Center of Agricultural Training)

Background: CENCAP is one of four MAG institutions with training responsibilities in the agricultural sector. CENTA, through its extension program is responsible for on farm technology training; ENA ^{1/} provides technical training for much of MAG's field staff and ISTA provides promotional and extension training to the clientele it serves in the reform sector. CENCAP was established in 1976 as a result of the reorganization of MAG in which CENTA was relieved of its agricultural education functions. From this inception, CENCAP organizationally was established to work closely with the program of agrarian reform. Because the GOES's proposed broad sweeping agrarian reform of 1976 did not materialize CENCAP's program of activity was, from the start, severely restricted. CENCAP has until recently shown a low level of activity.

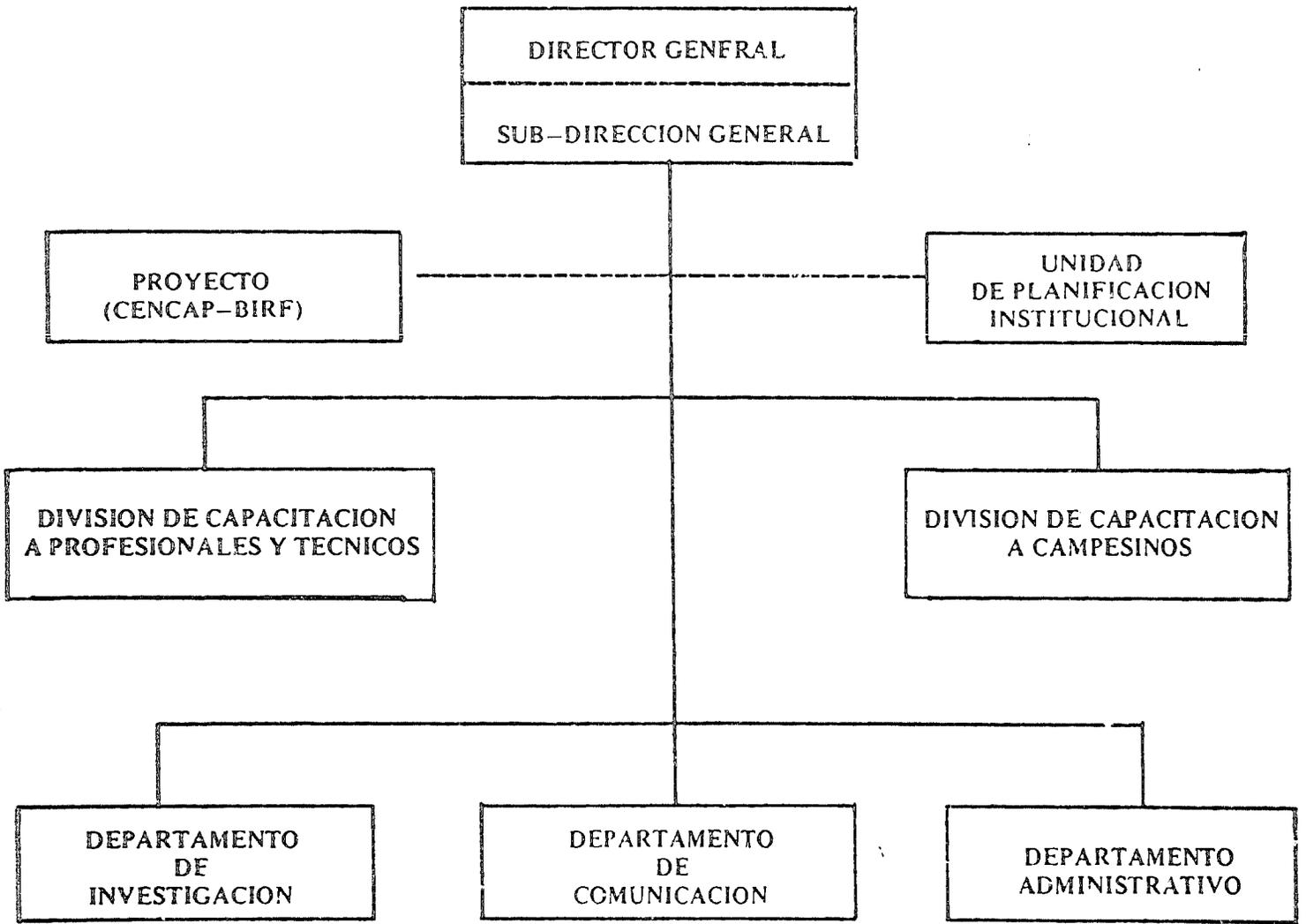
Functions : The general objectives of CENCAP's program are to :

- a) Work toward the establishment of national policy which orients agricultural training activities of public and private sector institutions;
- b) Contribute to improved socio-economic conditions for the rural population through increases in production and productivity;
- c) Further the self-fulfillment of individuals and groups thereby strengthening their ability for self-management of local and regional development; and
- d) collaborate in devising technically sound agricultural activities within the country with respect to production and productivity.

Organization : CENCAP has been reorganized in view of its new and expanded responsibilities as the principal training and educational institution of the reform. See Annex II.C.1. for an organizational diagram of CENCAP. As one of the MAG's seven entities, it carries out policies and programs under the direction of the Minister of Agriculture.

Resources : CENCAP commenced the year with a budget of \$336,000 a staff of 38 employees, a fleet of 13 vehicles and a program of 27 courses to be presented for 810 campesino leaders and 330 public sector technicians. With the reform came an enormous increase in its responsibilities with only a modest increment in resources. CENCAP has no training centers of its own and in fact 4 of the 15 facilities it counts as "available" do not even belong to the public sector. "Emergency" ESF will finance the restoration and provision of basic equipment for 3 of these centers and staff to man them through 1981. Five additional centers will be restored, equipped and staffed and 5 mobil units outfitted with funds from this project.

^{1/} Escuela Nacional de Agricultura (National Agricultural School).



2. BFA - Banco de Fomento Agropacuario

a. Background

The BFA (Agricultural Development Bank)

Was created in 1973 for the principal purpose of providing credit, especially medium and long-term credit, to small and medium-sized farmers with limited resources. The law established three divisions of the bank, each with separate capital and accounting. These are a Banking Division which functions like a commercial bank and makes loans to clients with assets over \$40,000; an Economic Social Development Division which provides loans to small and medium farmers; and Fiduciary Division which administers development funds in trust.

Additional current background material, including data on the BFA's financial position, is presented in the Institutional and Financial Analysis sections of the Agrarian Reform Credit Project Paper (Project No. 519-0263).

b. Functions:

The BFA functions as the principal conduit of agricultural credit for the GOES. Most of its prior history with small farmer agricultural credit has been in support of improving living conditions and generating permanent employment in rural areas.

In 1979, 1811 "solidarity groups"^{1/}, 126 cooperatives and 41 ISTA groups received loans under this program. These loans reached 29,683 families. Repayment rates were high for basic grains because most were marketed through the BFA or the Agricultural Marketing Institute (IRA) and loan payments were withheld when the crops were sold. The bank experienced varying degrees of success with loans for other than basic grains.

It is presently proposed to increase the loan approval authority for agrarian reform credit from \$6000 to \$10,000 for agencies and to \$30,000 for regional Offices. This will reduce considerably the lead time required for approval of a large number of loans to the new clients under this project.

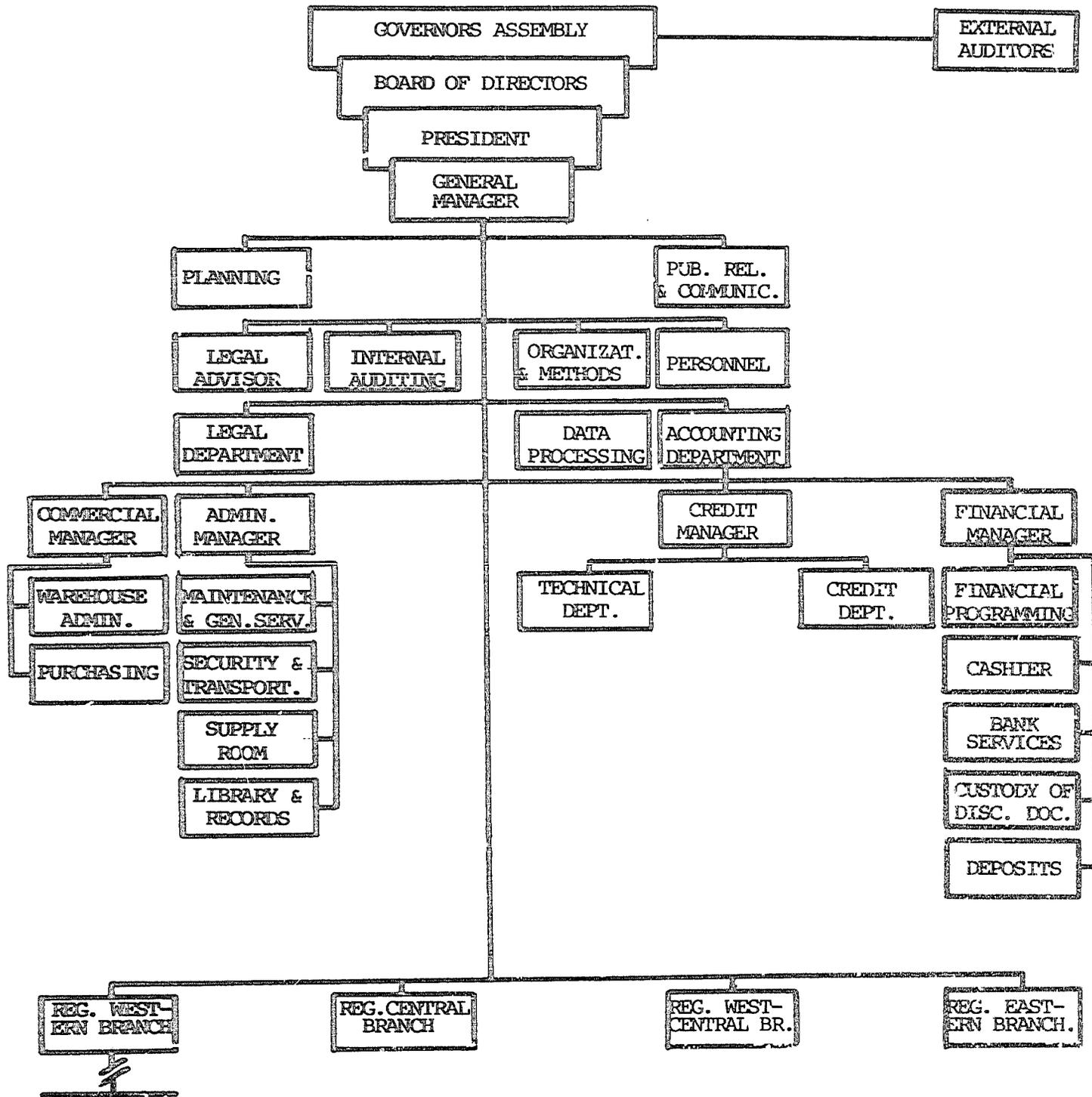
c. Organization:

The BFA has a network of 28 bank branches or agencies and 44

^{1/} This is a group of 3-10 persons who know and trust each other and who voluntarily join together to seek a group loan and to each individually and collectively guarantee full loan repayment. Group pressure results in very high repayment levels.

ORGANIZATIONAL STRUCTURE OF THE AGRICULTURAL DEVELOPMENT BANK (BFA)

ANNEX II.D.
Page 5 of 13



warehouses for the sale and distribution of agricultural inputs. They have recently created four regional offices designed to improve and increase coordination with other agriculturally related agencies, to make credit operations more efficient and timely by increasing lending authority nearer the farm level and to make better use of personnel and other resources. The bank has approximately 950 employees of which 190 are credit analysts and 200 are agronomos some of whom are specialized in various crops or in key programs of the bank. Some of these will be attached to the regional offices under the new organizational structure.

d. Resources :

A review of BFA's history and performance record indicates that its effectiveness is well above the average for similar banks in Central America. It should be noted here that the bank was projecting a lending level of \$101.0 million for 1980 based on resources available and on anticipated credit needs. (This projection has been altered significantly by reduced recuperations in 1979/80). Its staff has remained basically intact since the recent government changeover. The principal constraint in the agricultural credit area at present appears to be the lack of adequate credit resources. The problem is exacerbated by the rising cost of inputs resulting from the high rate of inflation and unsettled conditions.

The credit problem cannot be completely solved internally because the provision of the needed credit by the Central Bank would add too much to inflationary pressures. An increase in foreign assistance earmarked to increase BFA capitalization would best serve the present need and situation. It is clear, however, that the BFA has the institutional structure and the capability to reach large numbers of small and medium farmers with agricultural credit through group lending.

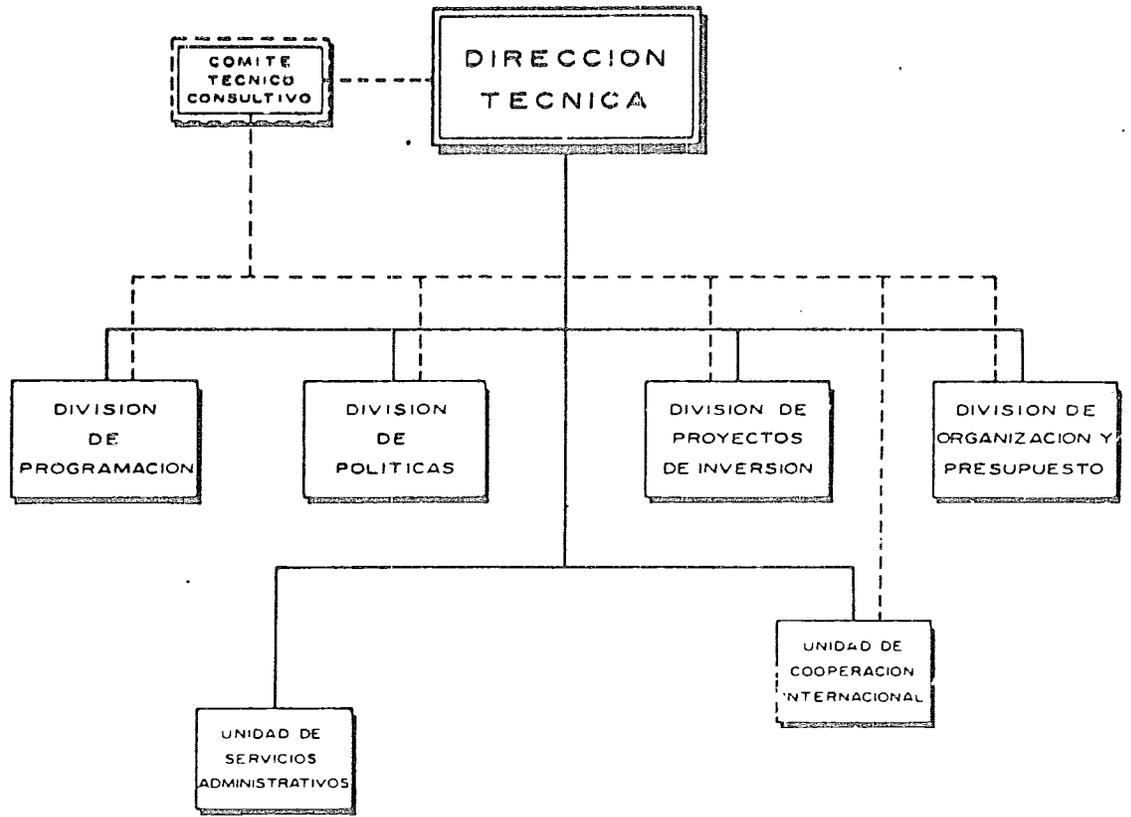
3. OSPA (Oficina Sectorial de Planificación Agropecuaria)

Background : In 1975 the MAG reorganized the planning functions of the General Directorate of Agricultural Economics and Planning and established a new office, OSPA, to formulate agricultural policy and planning and monitor the status of agricultural projects and programs.

Functions : OSPA's responsibilities consist of agricultural sector policy planning and evaluation. It develops sector policy within the national framework, advises Ministry decision-makers on policy options; and assesses the effectiveness of policy and programs in terms of sector goals. It carries out diagnostic studies of the sector, assesses the resource requirements of executing the Ministry's program, coordinate international donor assistance to the sector and participates in the formulation of new projects and activities.

With respect to the agrarian reform, OSPA has served as the Ministry's "thinktank", advising on matters of policy, formulating the framework for reform implementation and assessing progress and performance. It recently has begun formulating plans for the implementation of Land-to-the-Tiller.

ORGANIGRAMA ESTRUCTURAL DE LA
OFICINA SECTORIAL DE PLANIFICACION AGROPECUARIA



————— Linea de Autoridad

- - - - - Integración del Comité Técnico Consultivo

Organization : OSPA is the key institution in the implementation of the Beneficiary Broadening and the Planning activities. The office has demonstrated a capability to respond to policy makers' demands vis-a-vis the reform and consequently has steadily acquired more responsibility and influence. OSPA is made up of 3 Divisions (Planning, Projects and Budget and Organization) and 2 special units (International Cooperation and Administrative Services). The office reports directly to the Minister and Subsecretary of Agriculture.

Resources : OSPA has a staff of 35 professionals and 22 support staff. The professional staff includes 13 economists, 9 agronomists and business administration specialists. Its 1980 operating budget is \$440,000.

OSPA will be strengthened significantly to carry out project related assignments. A new Agrarian Reform Planning Policy and Evaluation Division will be created and nurtured with long and short term technical assistance, and operational support for local professional staff and logistical costs. This assistance is intended to rapidly develop the new division's capability to articulate coherent strategy, monitor reform implementation and evaluate its impact in terms of broad policy objectives. The creation of a new Division has been deemed necessary to avoid distracting OSPA from its other functions and diluting its ability to execute them. Project resources programmed to carry out the Beneficiary Broadening Activity will also be assigned to this new Division which will direct the field work, perform the analysis and formulate recommendations on policy issues which constitute the focus of this activity.

4. ISTA - Instituto Salvadoreño de Transformación Agraria

Background :

ISTA was created in June 1975, but its predecessor agencies have dealt with the agrarian reform issue since 1932. A conservative back lash in 1976 emasculated ISTA's expropriation powers. Thereafter, ISTA bought land on the open market and had a minimal impact on tenure problems.

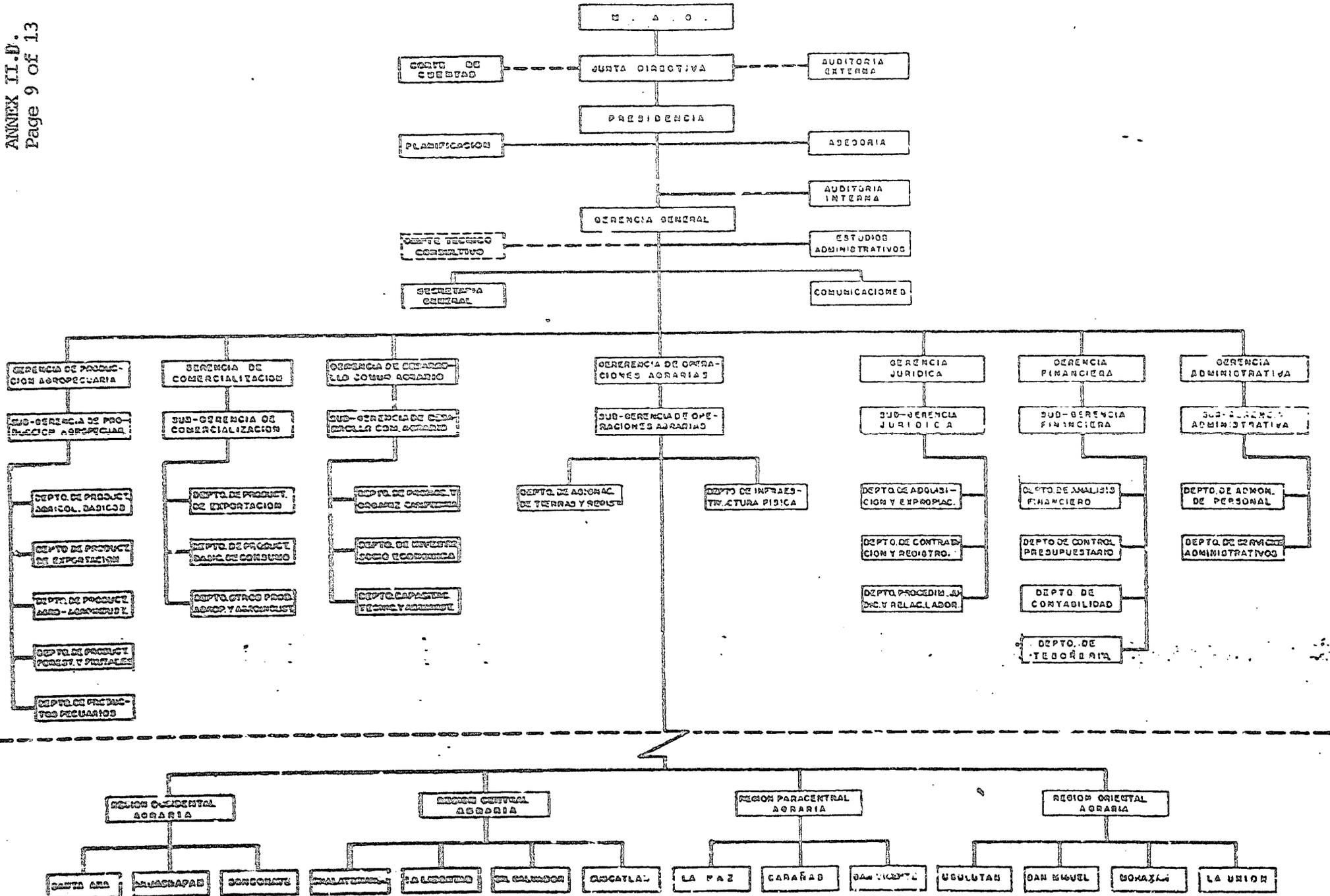
Functions :

ISTA is the principal agrarian reform implementation institution. It is responsible for land purchase and expropriation. The ISTA is also charged with making property valuations, adjudication and allocation of land payments. The most burdensome of ISTA's responsibilities involves the provisional joint management of Phase I properties. ISTA is being relieved of its Decree 207 implementation responsibilities.

Organization :

ISTA is one of four MAG semi-autonomous institutions. In the wake of the promulgation of the reform and ISTA's new responsibilities, the organization was completely restructured. ISTA now has 7 management units in its central office and four regional offices which coordinate and manage services for 3 or 4 departments.

ORGANIGRAMA GENERAL DEL I.S.T.A.



Resources :

ISTA's original 1980 budget for its ordinary pre-reform functions was \$7.8 million. Subsequent to the reform, a supplemental appropriation of about \$2 million was made, and ISTA received another \$1.8 million from ESF. As of June 30, ISTA had 636 employees, up from 279 six months earlier. The largest additions were agricultural technicians (133), promoters (114) and administrative staff (43). ISTA employees assigned to reform sector haciendas number 249. (Almost equal number of MAG technicians were still on detail although their numbers had declined from 566 to 238). ESF will increase ISTA's vehicles from 160 to 260 vehicles.

5. The Mortgage Bank formerly COFINTA (Corporación Financiera de Tierras Agrícolas)

Background :

The legislation creating COFINTA was enacted in February, 1979. It was intended to serve as Land Bank and to handle voluntary land sales and their transfer to beneficiary cooperatives or individuals respectively. COFINTA was overtaken by the October 15 coup d'etat and never has become fully operational.

Functions :

A new organization, based on the COFINTA legislation will be established as a mortgage institution; it will be responsible for collecting land payments from beneficiaries (possibly linked to the BFA and/or commercial banking system) and making compensation payments to ex-landowners.

Organization :

The organizational structure of the new institution remains to be defined. Approximately \$200,000 in technical assistance is budgeted to do this. Virtually the entire institution will have to be created. Nevertheless, its financial and physical resources and core staff of 4 professionals do provide a basis for accelerated institutional development. "COFINTA's" history demonstrates that 6 months or more may be spent in passing from legal to physical creation of an institution. Thus the "skeletal" organizational status should facilitate rapid institutional development.

Resources :

COFINTA already has acquired office facilities that are being renovated to accommodate its new staff and new responsibilities. Although COFINTA has \$80 million in bonding authority, no bonds have been issued. The \$4.5 million granted this year is its only real, available financial resource.

6. CENTIA (Centro Nacional de Tecnología Agropecuaria)

Background :

CENTIA was established in December 1971 as a semi-autonomous agency of the Ministry of Agriculture and Livestock. It is responsible for the integrated functions of agricultural research and extension.

Functions :

Except for coffee, all crop and livestock research is performed by CENTIA. In addition, CENTIA is the primary agricultural extension entity. It also is responsible for a seed certification program and engages in some seed production and distribution as well.

Organization :

CENTIA has three divisions : research, extension and seed production/commercialization. It's extension staff of 461 employees work on basic grains (94), cotton (28), and sugar cane (5) as well as fruits, vegetables and other crops (see Table 1). The extension staff is organized into four regions. Two thirds of it's approximately 700 positions belong to the extension division, another quarter is assigned to research and most of the balance is dedicated to the seed program.

Resources :

CENTIA has been selected by the GOES to carry out the implementation of Decree 207. The reasons are obvious; with 461 extension agents and 252 vehicles, CENTIA has the largest field implementation capacity in the country. All of the agents and especially those who have been working in the basic grains program (94) and home education (76) enjoy a familiarity with the campo and an established stable relationship with large numbers of communities. This will facilitate confidence and cooperation when they set about their new task of Land-to-the-Tiller titling. CENTIA's 1980 operating budget totals \$6.8 million. Although CENTIA is not capable of executing the Decree 207 field implementation by itself it represents the optimal institutional choice among the available options. Provided with sufficient supplementary resources, CENTIA can be expected to complete the job and strengthen its traditional functions of extension and seed distribution as well.

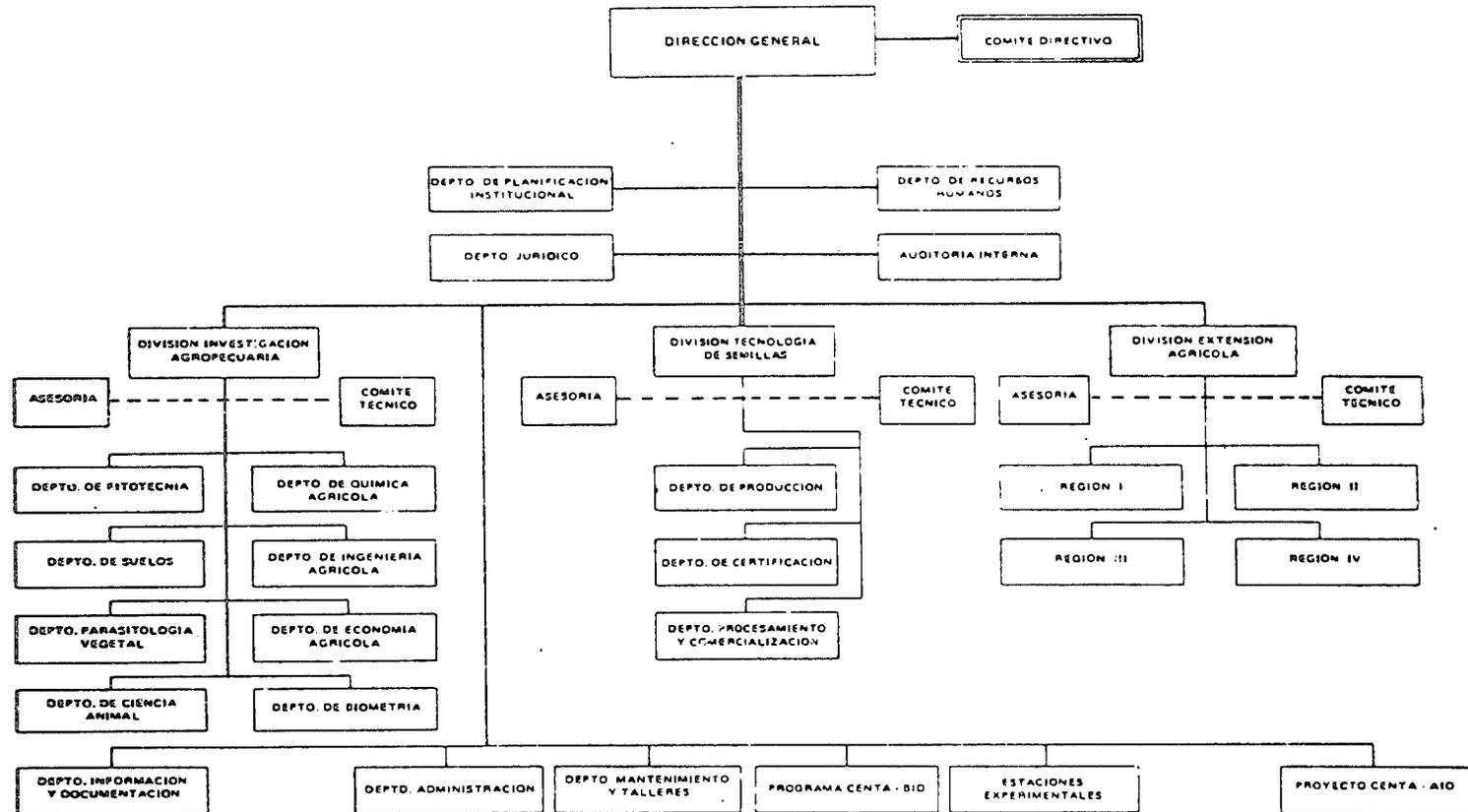
CENTA'S STAFFING PATTERN

<u>Division</u>	<u>Number</u>	<u>Distribution</u>
Research	185	27 %
Extension	461	66 %
Seed Technology	25	3 %
Seed Certification	20	3 %
Other	4	1 %
	<hr/>	<hr/>
Total	695	100 %

EXTENSION DIVISION'S MANPOWER

<u>Position</u>	<u>Number</u>	<u>Distribution</u>
Extension Supervisors	22	
Agency Chiefs	69	
Extension Agents		27 %
Basic Grains	94	20%
Cotton	28	6%
Sugar Cane	5	1%
Home Education	76	17 %
4-H Agents	25	5 %
Secretaries	61	13 %
Messengers, etc.	31	7 %
Administrative Personnel	50	11 %
	<hr/>	<hr/>
Total	461	100 %

ORGANIZACION ESTRUCTURAL DEL CENTRO NACIONAL DE TECNOLOGIA AGROPECUARIA - 1979



SUMMARY COST ESTIMATE FOREIGN EXCHANGE AND LOCAL CURRENCY

(U.S. \$000)

	A. I. D.				GOES		TOTAL PROJECT
	LOAN		GRANT		FX	LC	
	FX	LC	FX	LC			
<u>I. Farmer Organizations & Training</u>							
Training	---	1,900	560	1,300	---	---	3,760
BFA Campesino Union Credit	---	1,750	---	250	---	---	2,000
Special Cooperative Credit Line	---	4,000	---	---	---	1,000	5,000
Accounting & Information System	190	210	250	---	---	---	650
Sub-Total	190	7,860	810	1,550	---	1,000	11,410
<u>II. Reform Administration</u>							
Beneficiary Broadening	78	487	110	---	---	---	675
Implementation of Decree 207	---	1,630	370	---	---	---	2,000
Former Owner Compensation	---	---	---	---	---	5,000	5,000
Sub-Total	78	2,117	480	---	---	5,000	7,675
<u>III. Planning & Evaluation</u>							
Inflation & Contingencies	---	955	210	---	---	---	1,165
TOTAL	268	11,482	1,700	1,550	---	6,000	21,000

LOAN AND GRANT PROJECTED EXPENDITURES BY FISCAL YEAR

(U. S. \$000)

	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>INFLATION & CONTINGENCIES</u>	<u>TOTAL PROJECT</u>
GRANT	30	3,010	—	210	3,250
LOAN	20	8,662	2,113	995	11,750
<hr/> T O T A L.....	50	11,672	2,113	1,165	15,000

PHASE I & II ACCOUNTING & INFORMATION SYSTEMS
(U.S. \$000)

Page 1 of 2

	<u>LOAN</u>	<u>GRANT</u>	<u>TOTAL</u>
Technical Assistance	---	250	250
Credit	---	---	---
Materials & Equipment	45	---	45
Administrative/Operational Support	355	---	355
Participant Training	---	---	---
Vehicles	---	---	---
TOTAL.....	400	250	650

BENEFICIARY BROADENING, PHASE I & II
(U.S. \$000)

	<u>LOAN</u>	<u>GRANT</u>	<u>TOTAL</u>
Technical Assistance	---	110	110
Credit	---	---	---
Materials & Equipment	26	---	26
Administrative/Operational Support	479	---	479
Vehicles	60	---	60
TOTAL.....	565	110	675

PHASE I & II TRAINING & CREDIT
(U.S. \$000)

	<u>LOAN</u>	<u>GRANT</u>	<u>TOTAL</u>
Technical Assistance	---	1,860	1,860
Credit	5,750	250	6,000
Materials & Equipment	385	---	385
Administrative/Operational Support	1,159	---	1,159
Participant Training	100	---	100
Vehicles	256	---	256
TOTAL.....	7,650	2,110	9,760

IMPLEMENTATION OF DECREE No. 207

(U.S. \$000)

	<u>LOAN</u>	<u>GRANT</u>	<u>TOTAL</u>
Technical Assistance	----	370	370
Credit	----	----	----
Materials & Equipment	70	----	70
Administrative/Operational Support	1,560	----	1,560
Vehicles	----	----	----
<hr/>			
TOTAL.....	1,630	370	2,000

PLANNING & EVALUATION

(U.S. \$000)

	<u>LOAN</u>	<u>GRANT</u>	<u>TOTAL</u>
Technical Assistance	----	200	200
Credit	----	----	----
Materials & Equipment	----	----	----
Administrative/Operational Support	550	----	550
Participant Training	----	----	----
Vehicles	----	----	----
<hr/>			
TOTAL.....	550	200	750