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

LAC REGIONAL

PROJECT PAPER

TENURE SECURITY AND LAND MARKET RESEARCH

AID/LAC/P-322

Project Number:598-0638

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete A	Amendment Number <hr/>	DOCUMENT CODE 3
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2. COUNTRY/ENTITY LAC Regional	3. PROJECT NUMBER 598-0638
4. BUREAU/OFFICE LAC/DR/RD	5. PROJECT TITLE (maximum 40 characters) 05 Tenure Security and Land Market Research

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 1 2 3 1 8 9	7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY 8 6 B. Quarter 3 C. Final FY 8 9
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 86			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(150)	()	(150)	(800)	()	(800)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS			0			

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FNY	230	055			-	150		800	
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(3)									
(4)									
TOTALS						150		800	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODE
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12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)					
A. Code	BR	BS	BU	BL	
B. Amount					

13. PROJECT PURPOSE (maximum 480 characters)

To support long-term applied research on land tenure issues in the LAC Region and to provide ADOs and LDC officials with programmatic information for key project design and implementation decisions.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY	Signature Title Chief, LAC/DR/RD	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION Date Signed MM DD YY 0 2 1 0 8 6
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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

PROJECT AUTHORIZATION

Name of Country: LAC Regional
Name Of Project: LAC Regional Tenure Security
and Land Market Research
Number of Project: 598-0638

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the LAC Regional Tenure Security and Land Market Research project, involving planned obligations of not to exceed Eight Hundred Thousand United States Dollars (US \$800,000) in grant funds ("Grant") through December 31, 1989, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is three (3) years and ten (10) months.

2. The project ("Project") consists of the financing of long term applied cross country and longitudinal research on land tenure issues in the LAC Region and to provide ADOs and LDC officials with programmatic information for key project design and implementation decisions.

3. The Project Grant Agreement and appropriate contracts, which may be negotiated and executed by the officers 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. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Grant shall have their source and origin in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

Dwight Ink
Dwight Ink
Assistant Administrator
Bureau for Latin America and
the Caribbean
Aug 2 1986
Date

Clearances:

DAA/LAC, MButler	<u>WB</u>	Date	_____
GC/LAC, GADavidson, JR.	<u>WB</u>	Date	<u>4/4/86</u>
LAC/DR, TBrown	<u>WB</u>	Date	_____
LAC/DR, ILevy	<u>WB</u>	Date	_____
LAC/DR/RD, DSteen	<u>WB</u>	Date	<u>4/14/86</u>

GC/LAC, PGJohnson/tim:2-27-86:0329B

I. Recommendations and Summary

LAC/DR/RD recommends that the Tenure Security and Land Market Research Project Paper be approved.

The purpose of this project is to carry out cross-country and longitudinal research on land tenure issues in the LAC region and to provide ADOs and LDC officials with programmatic information for key project design and implementation decisions. The general aim of the research is to provide an instructive and informative analysis of how tenure patterns affect three sets of interrelated development issues:

- ✓ A. Economic Issues: investment decisions, cropping patterns and agricultural productivity;
- B. Rural Development Issues: employment opportunities, income levels, rural poverty and the rate of rural-urban migration; and
- C. Environmental Issues: deforestation, soil erosion and desertification.

J The principal research areas are tenure security through improved titling and land registration systems, the potential for farm-land markets to increase access to land, and second-generation problems of existing agrarian reforms.

J A second set of priority issues is land tenure impacts on steep slopes and tropical low lands, and how structural changes in the agricultural sectors are affecting land use and tenure arrangements.

The next several years will undoubtedly be a policy watershed in terms of land titling, land markets, and agrarian reform systems in Latin America. To assist project designers during this period, this effort at long-term research represents a response to a combination of recommendations from the Kissinger Commission Report on Central America, three Presidential Commissions (Honduras,

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Ecuador, and Peru), and a set of cables from Latin American Missions outlining their respective project needs. It also addresses directly the land titling and land access priorities of AID policy and the LAC Regional Strategy.

II. Project Rationale

A. Background:

Because agriculture plays such an important role in providing food, employment, income and foreign exchange, the influence of farm-land tenure on Third World Development efforts is widely recognized and highly visible. Over the past two decades, land-related issues have persistently caused difficult problems for Latin American and Caribbean policymakers and project managers concerned with the rural poor. Two issues have been particularly troublesome: the skewed distribution of land ownership and the legality, or security of tenure.

Initially, tenure-oriented research aimed at correcting these problems focused on the correlation between low incomes and productivity on the one hand, and inequitable land distribution on the other. The size dimension dominated all other tenure considerations. Study after study could be cited giving details of skewed land concentration with large units wasteful of both land and labor.

The region-wide response to this problem began in the early 1960s.

Nineteen Latin countries (all except Argentina) passed agrarian reform laws after signing the Charter at Punta del Este which established the Alliance for Progress. It has never been clear, however, whether these laws had been enacted as a simple formality to comply with the Charter or whether they reflected a deep national consensus on the need for reform. It is clear that

those early land reform programs, which consisted mainly of expropriation and reallocation to organizing production cooperatives, have created a new set of development problems without solving the old ones.

Furthermore, this preoccupation with size of holding and economic performance did not convince large landowners to divest themselves of their properties. In fact, even if all the studies in the world could conclusively prove that small units outperform the large ones, obstreperous landowners are not about to trade their land for agrarian bonds in the name of "the social good of the nation." The result has been that, except for a few special exceptions (Nicaragua, Peru, and El Salvador), less than 10% of the land and landless population have been affected by land reform. Over 20 years after signing the Charter, land concentration remains an obstacle to growth with equity in Latin America.

Unfortunately, the focus on size of holding overshadowed the true complexities of agrarian reforms. Field level experience demonstrated to project managers and government officials that land reform beneficiaries require more than just a parcel of land to become efficient producers. Technical assistance, market access (for both inputs and products) and management training are among the additional services necessary for a successful program. Researchers contributed to this misplaced emphasis because each discipline discussed the role of land in development somewhat differently. For lawyers, land is property with legal implications, for agricultural economists it is a factor of production; in political science, land is a source of power and in anthropology and sociology a reflection of the culture and a part of the social system. Eventually, policy makers also

began to recognize that land concentration must be considered in light of related issues such as population growth rates, the degradation of fragile lands, the proportion of the population which is rural, rural to urban migration patterns and the total availability of agricultural land in the country.

By the mid-1970s, attention turned to an equally important issue: the insecurity of tenure arrangements. Even though the dominant form of property in Latin America is private rights to land, a large proportion of farms operate without a clear title. In Honduras, a 1981 study revealed that about 75% of the farms do not have clear title, in Costa Rica and Ecuador around 50% are without title. Most other countries fall somewhere in between.

There have been periodic efforts to modify land rights either by changing the extent of private use of land or changing the proprietors of land. Land reform programs have also changed the definition of property with little attention given to the titling process. Fifteen years after land reform in Bolivia, the farmers still lacked titles.

How tenure in land is defined within any nation or even community within a nation, influences how the production process is carried out, and who gets what benefits from that production. The typical problem is illustrated by the often cited example of individuals who, as a consequence of cultivating without clear title, invest less time and money in capital improvements and lack access to production credit since most banks require proof of ownership for loan approvals. It is further hypothesized that the lack of title negatively affects cropping patterns, husbandry practices and soil conservation maintenance. Moreover, it is obvious that without an efficient

titling process, land markets are less active, untitled properties undervalued, and land taxation systems ineffective.

In the 1980s, LAC projects began to address these issues. Presently, Honduras, Costa Rica, St. Lucia and Ecuador are establishing new property rights systems by issuing thousands of titles to small farmers through major programs. Panama, Jamaica and Brazil plan to begin titling projects in the near future. The World Bank is financing 40% of the \$250 million land tenure improvement project in Northeast Brazil.

A third land-related issue has recently received special attention from LAC The Fragile Lands Initiative. Population pressure coupled with limited access to better quality land is forcing more and more farmers to steep slopes and humid tropical lowlands. The depletion of soil and water resources and the rapid deforestation under expanded agriculture threaten the long term ability of LAC countries to feed themselves. In addition to the decreasing agricultural productivity, soil erosion is increasing sediment deposits producing flooding, loss of hydro-electric capacity and damaging downstream crops and fields.

B. Developing a Regional Response:

The LAC Strategy Statement lists inequitable access to land and economic power as one of the five major constraints to agricultural development. Programs to address this situation are among the most important to the LAC Bureau in terms of total project dollars, the number of Missions with projects, and the total number of potential beneficiaries.

Because of this situation, a deliberate and organized effort to improve the process of identifying, designing, and evaluating tenure-related projects

has been underway over the past few years. Beginning at the April 1983 LAC Agricultural Development Officers' (ADO) conference outside Washington, rural development officers outlined five important issues for future research: ✓

1. the potential for improving commercial land markets through a mortgage financing mechanism;
2. how to make titling systems more efficient and increase tenure security;
3. how to deal with the second-generation problems of past reforms;
4. the influence of land tenure or fragile lands and resource management projects; and
5. whether macroeconomic changes in the agricultural sectors of LAC countries had been affected by policies recommended and adopted two decades earlier.

In the months following the ADO conference, the LAC Bureau collaborated with S&T and the Wisconsin Land Tenure Center to discuss and develop the implications of the ADOs' recommendations. This collaboration resulted in two activities. First, the Land Tenure Center incorporated these five issues, which are referred to as common themes, into its present work-plan. Second, LAC/DR sponsored a workshop at Manresa in April 1984 to further develop these concepts. The Manresa Conference had two broad purposes:

1. To provide project designers and managers with the analytical basis and rationale for examining and interpreting land use and tenure information related to the common themes; and

2. To suggest how to make operational use of tenure-related information for key project decisions by identifying, elaborating, and evaluating the type of applied research that is needed to provide policy guidance for projects which affect or are affected by land tenure arrangements.

The majority of the 60 participants came from Latin America and they included cabinet-level ministers, university scholars and AID agricultural and rural development officers. About 20 representatives came from Central America. The conference succeeded in identifying Missions' short- and long-term project requirements related to the common themes and provided a useful forum for field officers to exchange ideas and to establish a research network to carry out the common theme approach to research efforts.

The Manresa Conference strongly supported and recommended a regional, collaborative research effort on the common themes. The main reason for this support is due to participants' belief that cross-country and longitudinal research will produce useful results of direct and mutual benefit to policymakers and project managers throughout the region. In addition, this type of research could have important generalizations which would be replicable under a variety of circumstances. This PP is a direct response to Mission's requests for a regional research approach.

C. Project Strategy:

1. Objectives

The next several years will undoubtedly be a policy watershed in terms of land titling, land markets, and agrarian reform systems in Latin America. To assist project designers during this period, this effort at long-term research represents a response to a combination of recommendations from the Kissinger

Commission Report on Central America, three Presidential Commissions (Honduras, Ecuador, and Peru), and a set of cables from Latin American Missions outlining their respective project needs. It also addresses directly the land titling and land access priorities of AID policy and the LAC Regional Strategy.

The purpose of this project is to carry out cross-country and longitudinal research on land tenure issues in the LAC region and to provide ADOs and LDC officials with programmatic information for key project design and implementation decisions. The general aim of the research is to provide an instructive and informative analysis of how tenure patterns affect three sets of interrelated development issues:

- a. Economic Issues: investment decisions, cropping patterns and agricultural productivity;
- b. Rural Development Issues: employment opportunities, income levels, rural poverty and the rate of rural-urban migration; and
- c. Environmental Issues: deforestation, soil erosion and desertification.

The principal research areas are tenure security through improved titling and land registration systems, the potential for farm-land markets to increase access to land, and second-generation problems of existing agrarian reforms. A second set of priority issues is land tenure impacts on steep slopes and tropical low lands, and how structural changes in the agricultural sectors are affecting land use and tenure arrangements.

2. Relationship to AID Policy and Regional Strategy

- a. AID policy regarding land tenure security recognizes the relationship between tenure security, investment, and production as follows:

"Local institutions, including farmer organizations and land tenure arrangements, can also be critical in assuring that the majority of farmers benefit from improved technology and infrastructure. Clarity of ownership and title is critical to stimulating increased capital investment (and therefore production) at the level of the individual farmer....Consequently, A.I.D. will give favorable consideration to requests for assistance in the form of feasible projects and programs that: ...establish wider access to agricultural assets, including ...land, and in providing more secure tenure arrangements... ."

3. Relationship to LAC Bureau Strategy:

As previously mentioned, the LAC Bureau Strategy statement lists access to land as one of the major constraints to agricultural development. It also considers programs to improve this situation as one of the five major substantive areas for project development. This emphasis has been further highlighted by the Kissinger Commission which made the following related recommendations:

- a. provide long-term credit for land purchases by small farmers;
- b. improve title registration systems and the defense of property rights of farmers; and
- c. encourage equitable distribution of agricultural wealth, including agrarian reform and land to the landless programs.

The recent Presidential Commissions to Peru, Ecuador and Honduras all, independently, made similar suggestions. These reports recognized the importance of tenure security to increased access to credit for on-farm investment.

Most importantly, recipient countries and LAC Missions are undertaking new project initiatives and are requesting guidance and support. The CDSSs and on-going projects give evidence of this trend. Voluntary land sales programs are under development or already exist in Guatemala, Honduras and Ecuador. Costa Rica, El Salvador, St. Lucia and Peru are also discussing similar programs. Land titling projects are important aspects of the programs in Ecuador, Costa Rica, Honduras, El Salvador and St. Lucia, with a number of other Missions closely watching the impacts of those projects. Second generation problems are top priorities to the Dominican Republic, Honduras, and Peru. In fact, the Dominican Republic ADO received a direct request from the President of that country to assist with management and organizational problems on the production cooperatives.

Project managers will be better prepared to develop policies and projects if comparative research results and program guidance is available. One purpose of this long-term research is to address those needs.

4. Relationship to S&T Bureau and the LTC

The project will be implemented through the S&T Bureau's Cooperative Agreement with the University of Wisconsin Land Tenure Center (LTC). The rationale for that Cooperative Agreement stems from AID's priorities of policy dialogue and development, technology transfer, institutional development and private sector development.

The purpose of the LTC Cooperative Agreement is:

- a. to develop a program of cooperation among developing countries to improve the operation of land tenure systems including land markets;

- b. to enhance the ability of AID Missions and LDC institutions to design and implement rural development programs so that they may operate more effectively to promote greater access to resources by the rural poor;
- c. to marshall human and intellectual resources which AID missions, regional bureaus and LDC institutions can draw upon to increase access to resources; and
- d. to work collaboratively with developing country institutions, AID Missions and Washington Bureaus to mobilize and apply its resources to carry out priority research and networking of land tenure systems and to publish key materials on critical land tenure concerns for distribution to AID and LDC counterparts.

AID's current Cooperative Agreement (CA) with the LTC was developed and initiated as a four-year activity by S&T/RD. Its first year of operation was FY 1984. This CA extends a relationship between LTC and AID that dates back to 1962, and which has been sustained through a research contract in the Latin America Bureau and later a series of 2il(d) grants. During this period LTC developed into a center of excellence recognized internationally for its work on land and rural development.

The current CA continues through March 1988. Under this CA, ST/RD funds LTC core staff as well as some travel costs, research, publications, library services, training and LDC institution building costs.

The major research strategy of the CA involves complementary funding between S&T's core support and Mission and Bureau support on critical research questions. S&T/RD and LTC have worked closely with LAC/DR/RD over the past year to develop LTC's current workplan. As part of this process, a four-year

strategy has been developed to analyze experiences of several countries on the land tenure common themes.

III. Project Description

New and innovative projects and policies to confront land tenure problems are underway in several countries. This project will utilize a regional-level approach to assist in the development and evolution of these important project initiatives. Due to the limited core funding available, the project will give priority to three of the five common themes: tenure security issues, land market problems, and second-generation problems of existing agrarian reform sectors. Priority will also be given to interested LAC Missions which either have current tenure improvement projects or are in the process of developing them. A secondary approach will involve research in appropriate countries with related experiences to compare the intended objectives of those experiences with what actually happened. For instance, it may be useful to review titling systems in non-AID countries like Colombia or Chile.

A. Research Program:

1. Tenure Security: Land Titling and Registration

The four-year research strategy for tenure security is to analyze the experiences of several countries. This analysis will be used to develop policy and project guidance as well as historical generalizations concerning:

- a. how governments, communities and individuals have interacted to define and alter property rights to land;
- b. how the alteration of property rights affects agricultural production systems and distribution of benefits; and

- c. the relationship between land titles and credit use, cropping patterns, and land taxes, land markets, fragmentation and subdivision, consolidation, household decision making, on-farm investment, water rights and other related factors.

Also at issue is the long-term viability of the property rights conferred by titling projects and the institutional aspects of those programs. In instances where a complete cadaster is undertaken, and/or laws are introduced to register land rather than deeds, an important question is how people relate to the new system over time. Will the maps and registers be kept up-to-date? Will transactions be recorded? Will other agencies use the system, e.g. for tax purposes? How can transaction costs to the small farm land holder be minimized as an incentive to keep registrations current?

It will be equally important to determine whether some individuals have their rights extinguished. Are women, small farmers, absent family members, poorer and less educated members of extended families or communities vulnerable to titling systems?

Two Missions have already expressed interest and committed resources to this research theme, Honduras and St. Lucia. With major on-going projects in those two countries, this project will contrast and compare the two approaches to land titling as well as investigate the impacts of title on socioeconomic variables. For instance, in Honduras, 1,200 beneficiaries of the Small Farm Titling Project have been selected to compare changes in their farming practices over the four-year period. A similar effort will be utilized in St. Lucia. Cross-country and over-time comparisons will be made. Both the Honduran and the Barbados Missions are making financial contributions to the Tenure Security and Land Market Research Project to do additional research under the aegis of their projects.

2. Land Markets:

The term Land Markets refers to the institutional mechanisms by which people acquire and dispose of land. Transactions in agricultural land are a fundamental characteristic of private property systems. Yet, economic theory and empirical evidence suggest that for a smoothly functioning land market to exist, several additional features are required. For example, a substantial number of willing buyers and sellers and adequate financing are preconditions to competitive land markets. Policies and projects to promote farm land purchases are receiving increasing attention in the LAC region.

The purpose of a land mortgage system is to provide an adequate source of long-term financing to enable farmers to purchase agricultural land. For a variety of reasons, this type of financial system has never been established in Latin America until recently. The World Bank is supporting a land bank program in Piauí, Brazil and USAID is funding a small project through the Penny Foundation in Guatemala. Given the number of Missions presently interested in this approach, a number of issues need to be examined. Examples of research topics include:

- ✓ a. the scope and structure of land markets, both formal and informal;
- b. the proper set of incentives required to stimulate land markets;
- c. the role of land banks and their effect on land prices, fragmentation, capital investments, and labor use;
- d. how land should be appraised and valued;
- e. the experiences of various countries; and

- f. the roles of related institutions such as cadaster agencies, the agriculture ministry, and private banking institutions.

Under this activity, the design and implementation of the land market projects in Honduras, Guatemala and Ecuador would be documented and compared. These countries have taken three distinct approaches to the problem. This would provide a valuable opportunity to learn from their experiences. Costa Rica and El Salvador will be able to utilize this information in the design of their projects.

Another important issue is the land transfer process. In many countries, land transfers can be a tedious and costly transaction due to taxes and fees. Consequently, without an organized research effort it is difficult to determine exactly how active land markets really are under any tenure status. This is unfortunate because understanding land transactions and their related costs can provide valuable information about market imperfections and possible interventions to improve the market's performance.

One project activity will involve a research effort in St. Lucia to provide a descriptive and analytical profile of the rural land markets throughout the country. The scope and structure of both formal and informal markets will be assessed in separate areas of the country. The issues to be investigated include:

- a. are purchases leading to consolidations or subdivisions;
- b. how are the transactions financed;
- c. where do sellers of land go and how are they employed; and
- d. what size parcels are being traded and how often do sales or inheritances occur.

These, and related questions will be examined during the life of the project to determine trends in land markets overtime. This type of information is needed to assist policy makers as well as project designers. This project provides a unique opportunity to examine and compare land markets in various LAC countries and to test interrelated hypotheses.

3. Second-Generation Problems

While land reforms attract a great deal of attention when they are being initiated, post-reform changes receive much less scrutiny. Research under this theme will address the general question of what has happened to the early reforms by asking who has benefitted and why. It is also important to analyze interactions between the agrarian reform sector and the remainder of the economy.

Research under this theme over the project period will address general questions of what has happened to major early reforms. Bolivia, Peru, the Dominican Republic, Honduras, Colombia, Ecuador, Panama, Mexico and El Salvador all have experiences with different types of reforms. Potential research questions to be addressed include:

- a. What are the income effects of various types of agrarian reform?
- b. What can be done to enhance income through different enterprise combinations or through improving production on ones already in operation?
- c. What is the employment situation and is it being helped or constrained by the agrarian structure introduced as a result of the reform?
- d. What are the agro-industry possibilities in light of the current agrarian reform program?

- e. What aspects of the reform could be changed fairly easily for more results?
- f. How are group farms working and is there a process of institutional evolution whereby collectives evolve into more individual enterprises?
- g. How can capital formation be enhanced on agrarian reform farms?

The Dominican Republic Mission has offered to contribute local currency funds to finance a portion of the cost of research on the problems of production cooperatives in that country. An assessment of these group farms would concentrate on three aspects: internal accounting of loans; the management and maintenance of machinery; and the creation of a functioning management structure for handling the cooperatives' affairs. The successful instances will be studied in detail to see how they have resolved these three problems. The cooperative experiences would be useful to other countries with production cooperatives including Honduras, Panama, El Salvador and Peru.

4. Other Activities

While this project will focus its limited funds on the three themes described above, two additional themes will also be included as add-ons from Missions or Washington Bureaus if funds become available: fragile lands and the agrarian structure.

The two general research issues for fragile lands are:

- a. Development projects, within a general context of agricultural modernization and population growth, have often produced programs for the settlement of people on previously little used lands. In addition, technology and the growth of rural populations has increased the demand for

land forcing the landless to marginal and fragile lands. Such lands have typically been isolated, on the agricultural frontier, and/or in ecologically fragile environments (tropical rainforests or in the high altitude paramos of the Andes). The question is, how can more intensive uses of the land be introduced in an economically viable way that is also ecologically sound?

b. Projects to transform marginal lands typically include irrigation along with other heavy investments, usually public infrastructure. Tenure-related problems usually arise in such projects. Claims to land prior to these investments as well as new interests which are attracted into such areas often produce conflicts over property rights. The production and marketing systems which result from such projects often founder on problems of organization of water users and maintenance of infrastructure, as well as on the problem of how to create a set of intermediary supply and marketing institutions which meet the needs of the producers. How can these problems be overcome?

The project strategy for the agrarian structure theme is to use secondary data to put together a comprehensive picture of the structure of LAC agriculture. The PPC Bureau is also interested in supporting this research. Some of the features to be investigated are:

a. What are the trends in landlessness, commercialization of agriculture, fragmentation of small farming units, rural poverty, farming marginal lands, substitution of capital for labor, utilization of conventional and non-conventional inputs, etc. shown in comparing current data to that of 1960 and 1970 in several key countries?

b. What institutional model of agriculture does this suggest now and how does it differ from the model of the sixties or the seventies which CIDA and others have described?

c. If this analysis suggests that a bimodal model for the agricultural sectors is becoming a clearer representation of reality, what are the characteristics of each part of the model, including income distribution, employment, production, extent of poverty, dependence on international markets, etc.?

d. What are the policy implications in terms of: producing enough domestic crops; adding to the employment potential of the sector; alleviating poverty; providing a more dependable stream of inputs to commercial agriculture and to the lagging sector; formulating proper technology; relationships with the urban sectors of the economy; and relationships with the leading sectors of the economy.

B. Planning and Dissemination:

The LTC Project Coordinator will be responsible for both supervising and conducting the research program and for supervising actual research teams in the field or in the U.S. Proposals will include solicited and unsolicited studies which will be reviewed by the LTC Latin American Staff and then presented to the LAC/DR/RD office for review and final approval. It is anticipated that research will be conducted by LTC staff, by the network of land tenure experts established by the LTC in the U.S. and Latin America, and by graduate students in U.S. and Latin America. While it is difficult to say

the exact mix of researchers, it will be necessary to have at least some diversity in research organizations, themes and methodologies to ensure a wide range of issues are addressed.

Some of the basic selection criteria include:

1. the importance of the topic to policy planning and project implementation;
2. a diversity of research methodologies both among and within any research theme;
3. longitudinal approaches and opportunities to analyze the legal contexts of land tenure issues;
4. opportunities to collect and analyze gender-dissaggregated data;
5. studies that allow for cross-country comparisons; and
6. a balance of research between immediate and practical needs of missions and LAC/DR/RD.

Other criteria may be established by LAC/DR/RD and LTC.

After potential research proposals have been reviewed by the LTC and LAC/DR/RD, these projects will be discussed with the mission or missions where the research is to take place. Most missions have already established their priorities and research needs so proposals will be matched with those needs whenever possible. The process will include four basic steps: the acceptance of the research proposals and ideas, a review of the research proposals by LTC, LAC/DR/RD and the missions, the approval of the final design by LAC/DR/RD, and finally the implementation of the research by LTC.

Financial participation, either through project or PD&S funds (including project-generated local currency), by the mission will also be encouraged at the time the proposal is submitted to them. In addition to research efforts and synthesis, the project intends to motivate Mission interest through a continuous planning and education exercise. The project will solicit inputs from Mission's, S&T and PPC Bureaus and other donors and research institutions. This collaboration will be coordinated through the LAC/DR/RD office and the Project Coordinator at LTC.

As missions express interest in land-related projects through CDSSs, Action Plans, PIDs or simple telephone conversations with the LAC/DR/RD office, these Missions can be informed of the research project and its value to the project. LAC/DR/RD, the Mission and the LTC Project Coordinator can then determine the level of support appropriate for that particular project.

The project will use AID seminars, conferences, training programs and ADO meetings to discuss on-going and proposed research. It is anticipated that modifications in research issues will arise as different missions seek support to deal with the special characteristics of their countries. These workshops and training programs are valuable occasions for AID officials and other individuals with varying areas of expertise to discuss research results and contribute to project design.

The dissemination process will also depend heavily on LTC's publication facilities. The LTC has a research paper and special studies publications capability, as well as the capacity to produce audio/visual aids and films. The dissemination of this project's results will utilize the current system at

C. Outputs and Project Evaluation

Several specific outputs are anticipated from the long term research efforts. These include:

1. A state of the art paper which synthesizes the research work on land transfers and effects of tenure security.
2. A policy and program guideline paper for ADOs which addresses the effects of these land tenure issues on the design and implementation of projects.
3. Two sets of long-term research papers documenting the effects of titling programs and a paper analyzing the technical aspects of different titling delivery systems.
4. A workshop designed to disseminate and evaluate the research papers on each of the major common themes studied.

An evaluation of this project will be carried out during the last year. The main purpose of the evaluation will be to determine whether the research is providing appropriate information to the government officials and the AID personnel. The scope and format of the evaluation will be determined by LAC/DR/RD.

IV. Implementation

A. Role of LAC/DR/RD:

The project will be managed by LAC/DR/RD. This will involve close coordination between this office, Missions, S&T/RD and the LTC Project Coordinator. LAC/DR/RD will assist in determining the research issues, the countries to be studied and the mix of research methods to be employed. LAC/DR/RD is also responsible for identifying research opportunities through

the review of projects, Action Plans and CDSSs. Input to this review will be solicited from ADOs at the biannual LAC Conference. An annual review of the project will take place at the LTC workplan review. This project will be implemented through incremental funding of selected research activities under the LTC Cooperative Agreement (see below). LAC/DR/RD will issue a PIO/T which will authorize the contract's office to amend the C.A. for incremental funding of these activities.

B. Role of Missions:

The research program and ranking of themes was conceptualized at the 1983 conference and refined at the Manresa workshop with heavy reliance on field officer and host country officials' contributions. While the project strategy is aiming at a regional-level approach, mission coordination and input is essential. A large part of this coordination has already been arranged. The direct mission involvement and support for this project is very high (see the cable responses in the annex). Substantial financial commitments have already been made (about \$175,000 for the first two years) and further support is anticipated. Honduras and St. Lucia have already committed funds to this project. The Honduras PIO/T is already in place and the St. Lucian PIO/T is still in process. These missions have project needs directly related to the research activities of this regional project. Other Missions are discussing early contributions to enhance their efforts, especially the Dominican Republic.

Regular feedback, critiques and reviews of research efforts will also be solicited from the Missions. This will be an agenda item at the biannual LAC ADO conferences.

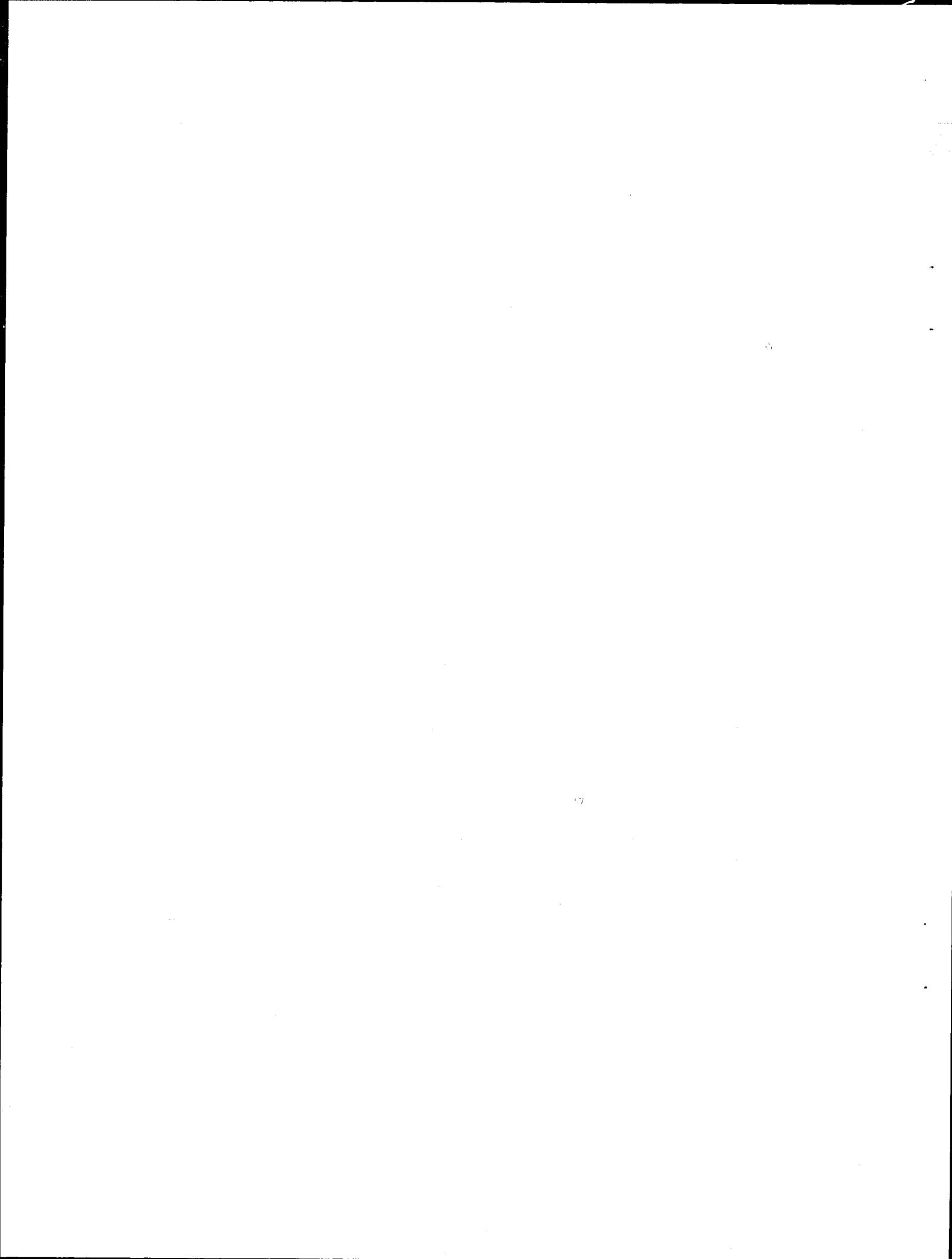
C. Role of S&T/RD and the LTC

The S&T/RD Project Manager of the CA with the LTC will also play a critical coordinating role in this project. The project will be implemented through incremental funding to that C.A. That process has already been utilized by the Africa Bureau and is quite simple to implement for long term research efforts.

This research project fits directly and squarely within the expertise and research terms of reference outlined in the CA with the LTC. The CA is specifically designed to accommodate incremental funding from both Regional Bureaus and Missions in support of further land tenure research.

As the responsible office for managing the LTC C.A., S&T/RD maintains a constant dialogue with the LTC, Missions and Regional Bureaus including LAC/DR/RD. S&T/RD will be responsible for obtaining travel clearance for the research teams. S&T/RD will also be responsible for assisting LAC/DR/RD and the LTC Project Coordinator in the final selection of research proposals.

The LTC will have a project coordinator who will be responsible for this project on a full time basis. The LTC will provide office space, phone, computer, typing, word processing, secretarial services, and all other related services which are provided to academic staff at the University of Wisconsin. The Project Coordinator will be on the Library Committee of the LTC library and have direct input on the types of materials purchased by the Library. Consulting and advisory services will also be provided by the Center's other academic and faculty staff. These services will be provided through in-kind and financial support.



Illustrative Four-Year Budget

	<u>Project Funds</u>			
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Full Time PhD Coordinator	37,000	39,000	41,000	43,000
Research Assistant	14,000	14,000	15,000	15,000
Fringe (22%)	11,000	12,000	12,000	13,000
Travel				
U.S.	4,000	4,000	5,000	5,000
International (includes consultants)	12,000	12,000	14,000	8,000
Research Expenses				
Consultants	20,000	60,000	42,000	30,000
Surveys & related costs	13,000	40,000	15,000	5,000
Workshops & Disseminations	5,000	12,000	10,000	20,000
Other (communication, computer, reproduction, etc.)	3,000	5,000	5,000	5,000
Evaluation				15,000
Overhead (26%)	31,000	52,000	41,000	41,000
Total	<u>150,000</u>	<u>250,000</u>	<u>200,000</u>	<u>200,000</u>

Illustrative Four-Year Budget From Missions and Others

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Travel				
U.S.	3,000	3,000	4,000	4,000
International (includes consultants)	15,000	15,000	15,000	15,000
Research Expenses				
Consultants	40,000	40,000	38,000	40,000
Surveys & related costs	51,000	51,000	37,000	25,000
Workshops & Disseminations	5,000	5,000	20,000	30,000
Other (communication, computer, reproduction, etc.)	5,000	5,000	5,000	5,000
Overhead (26%)	31,000	31,000	31,000	31,000
Total	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

V. Project Analyses

A. Technical Analysis:

The purpose of this project is to do research on land tenure issues and not to implement a project addressing land tenure problems in the field. As such, this project paper has already identified the major research issues and priorities. Furthermore, since the PID and this PP have been developed in conjunction with several Missions and the LTC, major research issues and projects have already been determined by those missions contributing funds.

Yet, while the basic research themes are outlined, the approach and methodology of these research themes will vary over time. A mix of baseline survey, case studies, literature reviews, theoretical papers, etc. are expected. To determine the most viable and practical approaches along with the proper mix, a system of criteria for selection of proposals will be established by LAC/DR/RD and the LTC along with the mission's involved.

The LTC project coordinator will work with the LTC Latin America staff to evaluate the alternative proposals. Proposals will include solicited and unsolicited studies through the LTC's network in the U.S. and the LAC region. The selected proposals will be reviewed for final approval by the Chief of LAC/DR/RD and the S&T/RD LTC Project Manager.

The LTC project coordinator will present new proposals and review the implementation of on-going research with LAC/DR/RD on a bimonthly basis including the annual workplan review. This exercise will be done through both written reports and presentations to the LAC/DR/RD staff in Washington. This constant exposure is needed to ensure a close collaboration between the LTC and LAC/DR/RD.

B. Social Soundness Analysis:

1. Introduction

The goal and purpose of the subject project are focused on assistance to agricultural development officers and LDC officials in making policy, project design and implementation decisions about land tenure problems in Latin America and the Caribbean. The project funds research rather than action; thus, the social soundness issues in the following section address the efficacy of research directly, but the effects on poor people in the region only indirectly.

Four questions are pursued in this analysis:

- a. The overall soundness of funding research on tenure security and land markets;
- b. Social feasibility--the mechanism to implement the project's purpose, the value of the research topics, and the obstacles to achieving project effectiveness;
- c. Likelihood of sustaining and spreading project benefits; and
- d. Incidence of social consequences and benefits.

2. Soundness of Funding Research

Given the limited resources with which the Agency may address development in the LAC region, might the \$800,000 which the project proposes to spend on research about tenure security and land markets be better directed to action programs or technical assistance in particular countries in the region? Can the results of research on titling, land markets and second generation problems of land reform really improve the lives and prospects of small farm families?

The U.S. has actively supported land tenure improvement schemes in developing countries based on the success of our development assistance in Japan and Korea. In the Latin American and Caribbean region, the U.S. has demonstrated a moral commitment to equitable land distribution since Punta del Este. Despite decades of experience, however, there has been, and continues to be considerable ambiguity and lack of consensus among AID, the Department of State, the Presidency and Congress on U.S. policy concerning overseas assistance for land reform. In part the confusion is due to uncertainty about the facts; for example, under what circumstances does land redistribution increase agricultural productivity? Confusion also stems from the disparity between the rhetoric of reforms as they were designed and their outcomes as documented by research.

The Agency, through the Bureau for Science and Technology, continues to invest in research to diminish the uncertainty due to lack of a universal principal for land tenure problems. The Bureau's decision to fund these sorts of projects responds to host country appreciation of the levels of shortfall and unanticipated negative consequences of earlier land reforms.

Good social science research is necessary to judge both prior and current activities in land reform because of the possibility of unintended negative consequences. As Nye concluded in his review of the morality of international involvement in land reform, "moral principles without research may produce immoral consequences...there will always be unanticipated consequences when we intervene in complex social processes." But we have obligations to reduce their magnitude and construct plans that are robust enough to survive some anticipated consequences and to allow us to compensate for negative unintended effects. Therefore, the Bureau's commitment of funds

for research on tenure security and land markets is reasonable and responsive to social concerns.

3. Social Feasibility

a. Mechanism for Achieving Project Purpose

The Land Tenure Center (LTC) is a feasible mechanism for carrying out the project research. Since the 1979 initiation of its cooperative agreement with AID, the LTC has expanded its interactions with specific AID missions, creating more opportunities for fieldwork and enabling LTC to better integrate work on short- and long-term policy issues. Through the missions, this project's research results may influence policy dialogue on land tenure, project design and implementation.

A 1982 evaluation of the LTC pointed out that "AID missions tend to perceive their needs more narrowly than the Washington office, and the Center must attempt to meet these narrow demands." Thus, the evaluation recommended special efforts on behalf of both LTC and AID:

- o For LTC: to synthesize its work, both comparatively and theoretically; and
- o For AID: to continue to expand the scope of LTC.

LTC's Advisory Board has been recently formed in order to promote institutional linkages outside itself to protect against administrative and intellectual inbreeding, to give it greater visibility within the University and on the national scene and to reinforce its credibility with AID. LTC publication and library resources will facilitate longitudinal study of land tenure in the region.

As a regional project, research can be collected systematically across countries and analyzed centrally to derive general principals. The regional technical office will support LTC efforts to strengthen its capacity to integrate knowledge gathered across missions and in non-AID countries, so that research results are usefully synthesized within each of the five research topics. The regional technical office will also assure linkage to future land tenure projects during its review of project designs and mission action plans.

The project's connection to S&T's cooperative agreement and incremental funding allow comparison to worldwide experience in tenure security and land markets, as well as access to networks for communicating research results. Indirectly, the project will review the performance of existing land reform organizations and institutions compared to new mechanisms for titling, registration, and marketing. It will also examine local entities to assess their feasibility as agents for change.

The agricultural and rural development officers (A/RDOs) of the region are responsible for initiating the region's commitment to research on tenure security and land markets. Their efforts since 1983 enlisted regional support for new projects to address land tenure problems, and motivated the Manresa Conference in April 1984. Sixty participants in that conference included cabinet level ministers, university scholars from the LDCs and the A/RDOs. The Manresa Conference defined the project's three research topics, so that their value to those direct beneficiaries is clearcut.

The value of the project's research topics to the indirect beneficiaries, the small farm families of Latin America and the Caribbean, will derive from projects in which they participate at the local level. Hopefully, such projects will be more effective due to better designs through understanding land tenure problems.

b. Obstacles to Achieving Project Effects

As noted above, the project coordinator will have to exercise great finesse in balancing missions' specific information needs with the overall need for synthesis. While the project seeks to effect improved project design and implementation, it is up to host countries, through AID ARDOs, to demonstrate sustained interest and implement the activities of such projects. The priority of tenure security and land markets projects for host country governments could well diminish due to such crises as balance of payments problems, food shortages, or urban issues. It is up to the project coordinator to assure missions and host country representatives that the research has both immediate and long-term immediate payoffs. A related caveat is that project effects depend on communication. Research results must be disseminated to ARDOs and host countries through written reports and workshops. The workshop participants must be carefully selected so the implications of the results are heard by policy makers in a convincing and timely manner. Indirectly, the project could study the efficacy of various types of media in communicating about land tenure issues, for example, USAID/Quito's plan to publicize land markets.

3. Sustaining and Spreading Benefits

The strength of the LTC/LAC linkage is vital in order to maintain continuity through the four years of the project. Such a linkage must be institutionalized however possible to survive inevitable staff changes in either or both entities. Routine collaboration in research subtopic selection, liaison with mission "backstops" in the technical office of the Bureau, and periodic progress reports are critical to maintain and motivate application of research results.

4. Incidence of Social Consequences and Benefits

a. Target Population

Direct beneficiaries of the project are project designers, project managers, and Agency and host country policymakers. Because of LTC's practice of enlisting host country nationals to assist in research and for consultation, some direct benefits accrue to private host country professionals.

The particular indirect beneficiaries in each country in Latin America and the Caribbean are described in each mission's project documentation. For the region as a whole, however, the following describes the major beneficiaries:

A CEPAL study, reissued by the World Bank, showed the percentage of families below the poverty line at about two-thirds of rural families and the percent below the destitution line at about one-third. Country wide in the ten countries covered from 1970 to 1980, the percent in poverty dropped from 39 to 35. However, the absolute numbers in poverty rose by about 18 percent, and the percentage of total rural population in poverty is still higher than the percentage of the urban population in poverty.

Data from the seven Latin American countries with nearly 80 percent of the population reveal that in 1975 the richest 10 percent of households received slightly more than 47 percent of total income while the poorest 40 percent did not even receive 8 percent. In 1975 the income of the wealthy sector amounted to over 24 times that of the poor sector. In 1960 the share of the top 10 percent was slightly less and that of the poorest 40 percent slightly more. According to the FAO, in 1973 some 85 million persons, 70 percent of the Latin American farm population, were living in bare subsistence conditions. Of this number, some 45 million were wage-earning farm workers and some 40 million were small holders, with 2.5 percent of the land. ("Progress Towards Growth with Equity in Latin American Agricultural," LTC Research Paper, April 24, 1984)

b. Inequities of Past Land Reforms

Although the poor farm families described above will be affected only indirectly by the improvements which the project hopes to introduce into development activities of the agency and host governments, it can monitor some important direct impacts of the latter's activities. Past reforms have not created as much equity as was hoped for because:

- o Design of the original reform benefited some and not others;
- o Government macroeconomic policies interfered with equitable distribution of benefits; and
- o Counter-reforms following relatively radical reforms caused inequalities.

The project should be alert to particular impacts, in access to resources, employment and rural-urban migration, which previous land reforms produced and which may be reproduced in future tenure-related projects in the region. Each is discussed below.

c. Access to Resources

Table 1 presents deJanvry's 1981 summary of the outcome of land reforms in several Latin American countries, showing the percentage of the farmers which was included in the reform, the limits on exemptions from expropriations on the basis of size ("reserves"), and whether concomitant expropriation of capital and water resources occurred. deJanvry found that reserves have been quite liberal "since landowners were invariably allowed to choose the location of reserves, they established them on the best lands of the former estates. In most cases, since neither working capital (including livestock) nor water rights were affected by the reform, the land incorporated into the reform sector had been decapitalized and lacked guaranteed access to water, while the capital/land ratio had increased substantially on the reserves. In Bolivia, many of the agricultural policies applied after the reform actually strengthened the economic position of the landed elites, including price supports, subsidized credits and machinery, and the construction of a sugar refinery in Santa Cruz. Peasants, by contrast, received only minimal credit and access to public services." (deJanvry 1981:209)

d. Employment

Land reform programs have had only a small net employment effect. On the one hand, few of those who actually received land were landless or external peasants, most having been laborers on the estates. On the other hand, during and after the process of land reform, some peasants were expelled from the estates; the number of permanent and seasonal workers was reduced. And the labor force was often slashed when estates were privately subdivided to avoid expropriation by size limitations. (deJanvry 1981:211)

e. Rural-Urban Migration

The most immediately obvious contradiction into which poverty forces peasant agriculture is the destruction of the few productive resources at the peasants' disposal. As poverty increases, the subjective rate of discount for time also increases, and more intensive use of available resources is immediately necessary. The land is mined; its fertility declines. Lower yields imply growing poverty, which in turn forces more mining of the land. The search for land and energy implies rapid deforestation, and erosion increases. The resource base is gradually destroyed, and poverty progresses. In many areas of Latin America, destruction of the land and deforestation are already irreversibly advanced. In Mexico, for example, it is estimated that 15 percent of the agricultural land has been totally lost to erosion, 26 percent is highly advanced in this process of destruction, and another 24 percent is in the initial states of deterioration. (deJanvry 1981:86)

Lack of access to resources--land, water or credit, increasing fragmentation and diminishing quality of land holdings, and the necessity of performing wage labor, which is scarce and poorly paid in rural areas,--all have pushed rural residents into migration to urban areas.

Table 1: Statistical Information on Land Reforms
in Selected Latin American Countries, 1917-76^a

Country	Years of Land Reform	Land in reform (percent)	Peasantry in reform sector (percent)	Size of sector (hectares) ^b	Capital and water reserve expropriated?
Mexico	1917-34	6.3	11.3	100-200	Yes
	1934-40	12.6	25.8	100-200	
	1940-76	25.0	18.3	100-200	
Total	1917-76	42.8	50.0		
Guatemala (Counter-reform)	1952-54	33.6	33.0	90-200	Partially
	1954-69	4.8	3.2		
Bolivia	1952-70	18.2	39.0	24-50,000	No
Venezuela	1959-70	15.7	14.7	No limit	No
Colombia	1961-68	c		No limit	No
	1968-72			No limit	No
Total	1961-72	9.6	4.2		
Chile	1962-67	--d	--	No limit	No
	1967-70	9.0	6.0	80 SBIH ^e	Partially
	1970-73	31.0	14.0	80 SBIH	Partially
Total (Counter-reform)	1962-73	40.0	20.0		
	1973-75	9.0	4.0		
Peru	1963-69	3.0	7.1	845-12,675	No
	1969-76	39.4	24.9	35-1,500	Yes
Total	1963-76	42.4	32.0		
Ecuador	1964-69	1.1	3.5	No limit ^d	No
Dominican Republic	1963-69	2.0	2.0	No limit	No

- ^a From deJanvry, Alain, The Agrarian Question and Reformism in Latin America. Baltimore: The Johns Hopkins University Press, 1981.
- ^b Variability in size of reserve left to landowners affected by expropriation is due to differences between regions, irrigated and nonirrigated land, and crop and pasture land.
- ^c Blanks indicate separate data not provided.
- ^d -- = less than 1 percent.
- ^e Standard basic irrigated hectares in central Chile; equivalent measures elsewhere.

C. Economic Analysis

The Tenure Security and Land Market PP is aimed at providing both basic research information and evaluations of on-going tenure-related projects. The information will be used by project designers and project managers to improve the effectiveness of project design and implementation. Hopefully, the research will then lead to increased productivity, improved distribution of economic benefits and higher levels of income for small farmers. In addition, research on how tenure problems relate to fragile lands and natural resource management can provide invaluable long-term economic and social benefits.

This project will utilize a regional-level approach to assist in the development and evaluation of these important project initiatives. Due to the limited core funding available, the project will give priority to three of the five common themes: tenure security issues, land market problems, and second-generation problems of existing agrarian reform sectors. Priority will also be given to interested LAC Missions which either have current tenure improvement projects or are in the process of developing them. A secondary approach will involve research in appropriate countries with related experiences to compare the intended objectives of those experiences with what actually happened.

The economic feasibility of the project rests upon whether there is a possibility of generating benefits in excess of costs and also whether the proposed approach is the most effective relative to others in terms of carrying out the applied research program.

The benefits that will be derived first hand from the project will be research outputs to which it is difficult to assign market values. The research results, however, will be aimed at setting a foundation for increased dialogue with host countries on land policy issues. The problems of land tenure continue to be important concerns and sufficiently widespread so that there is a significant opportunity for shaping policies which would lead to the creation and securing of rights that could materially affect the welfare of small farmers in many LAC countries.

The experience with the on-going S&T Cooperative Agreement with the Land Tenure Center has been positive. It has been an effective vehicle for involving researchers in field operations, particularly through its provision for incremental funding by missions and regional bureaus. A common theme approach to the applied research effort is considered the most effective way to support systematic knowledge generation. It calls for a consensus on topics of high priority by regional bureaus as well as the missions.

There is strong evidence that the LTC has been effective in providing policy related analysis in the past (see the Montgomery Report entitled "The Land Tenure Center and USAID Policy"). Consequently, there is ample reason to believe that significant benefits will result from the project. Also there is ample evidence to assume that the common theme approach is the most effective alternative in terms of generating a coherent body of knowledge on land tenure issues. Based on these considerations the project can be judged economically sound.

Because this is a research oriented effort, and not a project requiring direct action, it does not lend itself to standard economic or financial analysis where output benefits are easily identified and quantified. The final benefits of the project are hard to trace due to the difficulty of assigning prices to direct and indirect benefits. Thus, calculating cash flows, future benefits, the net present worth, the benefit-cost ratio and the estimated internal rate of return become only academic exercises. Nevertheless, the project's costs are simple to estimate and a discussion of potential benefits is in order.

The initial core funding for the project is \$800,000 over a four-year period. An additional \$175,000 has been committed by two missions and another \$450,000 is anticipated from both missions and Washington Bureaus. The total life of project funding is expected to be approximately \$1.4 million. The funding levels by research theme are not possible to determine since the activities will be decided during the life of the project depending on several factors including mission interest, LAC/DR/RD priorities and the type and quality of the proposals.

As previously mentioned there are two general types of benefits from this research project: those affecting on-going or planned land tenure projects and those affecting new activities. A general review of the benefits to on-going projects is the most useful example here.

Land titling projects have become very important in the LAC region in terms of total dollars and the number of beneficiaries effected. At present, about \$60 million is either appropriated or up for review for titling projects in Honduras, Ecuador, St. Lucia and Panama. These projects have a number a potential benefits including the following:

1. Enhanced Marketability of Land and Increase in Land Values

Land without title is difficult to sell as the buyer cannot be sure that he is dealing with the real owner, and that the title to the land would not be contested at some future time. Moreover, the buyer would be acquiring property that cannot be used as collateral for a bank loan. Because of these two interrelated considerations, titling can be expected to enhance both the marketability and value of land.

2. Impact on Property Tax Collections

In countries where land is properly valued (i.e. at close to actual market prices) and which have a 2 to 3% property tax effectively administered, the property tax is a major source of revenue. The above conditions are not met in most LAC countries. However, the classification, delineation and titling of lands will facilitate a realistic valuation and thus significantly enhance the base to which the property tax applies. The surveying and titling process thus provides the potential for a substantial increase of tax revenues once a good property tax law and enforcement apparatus are in place.

3. Willingness to Invest

The literature on land reform stresses the importance of security of tenure as a major factor in the willingness of farm operators to invest. Owners unsure of their title are most unlikely to undertake large investments if provided with access to funds.

4. Access to Bank Credit

No argument in favor of titling is given greater emphasis than access to bank credit. Titling is expected to enable farmers with bankable projects to obtain credit without government subsidy or guarantee because they are able to use their land as loan security.

5. Increased Output and Farm Incomes

Expectations of increased farm output and incomes are the logical result of greater willingness to invest on the demand side, and increased availability of resources (through bank credit), on the supply side. The Seligson evaluation of the impact of the land titling program in Costa Rica indicates that, on the basis of the respondents' own perception of improvement in their economic situation as a result of titling, "66.3% ... felt that their situation has improved while only 33.7% felt that it had not." (Mitchell A. Seligson, "The Impact of the Land Titling Program in Costa Rica: An Analysis based upon a Pilot Study," prepared for the Agency for International Development, San Jose, Costa Rica, June 1980, Page 51.)

The major thrust of the tenure security common theme is to further test these hypothesis to determine whether the large amount of funds dedicated to these titling projects is providing the type of results anticipated and if not why. This type of research can be an invaluable tool for modifying project designs and policies and improve the usefulness of the projects. For this reason alone, this research project is economically sound and worth the investment.

RESEARCH PROGRAM

This activity will support the University of Wisconsin Land Tenure Center in undertaking research in Latin America and the Caribbean concerned with land markets, land titling, second generation land reform problems, fragile lands and agrarian structure.

Background

Because agriculture plays such an important role in providing food, employment, income and foreign exchange in Third World countries, the influence of farmland tenure is widely recognized and highly visible. The Latin America and Caribbean (LAC) Bureau treats inequitable access to land and economic power as one of the five major constraints to agricultural development in the region. In close coordination with S&T/RD, the Land Tenure Center (LTC), and the LAC agricultural professionals in the field and in Washington, a four year research program has been developed to review past and ongoing land tenure programs in the Latin American and Caribbean region and to determine which interventions appear to hold the most promise to increase tenure security.

Program

The Tenure Security and Land Markets Research Project was developed to take advantage of and expand on the LTC Cooperative Agreement (CA) with AID. The CA, based on a shared funding approach between S&T core support and mission and bureau funding, was designed to support critical land tenure research on issues of mutual interest to AID and the LTC. The CA design contemplates research in five common themes: tenure security, land markets, second-generation problems, fragile lands and the agrarian structure. The depth of research in these areas will depend on the interest generated by the missions and the regional bureaus. The LAC Tenure Security and Market Research project will concentrate on supporting research mainly in the first three areas although the last two themes, fragile lands and agrarian structure, will be addressed through support from missions and other AID bureaus.

Outputs

The common theme research activities funded through the Tenure Security and Land Markets Research Project will generate, at a minimum, the following outputs after four years:

1. A state-of-the-art paper which synthesizes the research work on land transfers and effects of tenure security;
2. A policy and program guideline paper for ADOs which address the effects of these land tenure issues on the design and implementation of projects;

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3. Two sets of long-term research papers documenting the aspects of different titling delivery systems; and

4. A workshop designed to disseminate and evaluate the research papers on each of the major common themes studied.

An evaluation of this research program will be carried out during year four with project resources. The main purpose of the evaluation will be to determine whether the research is providing appropriate information to government officials and AID personnel. The scope and format of the evaluation will be determined by LAC/DR/RD.

Project Implementation

The project will be managed by LAC/DR/RD and will be closely coordinated with missions, S&T/RD and the LTC project coordinator. LAC/DR/RD will review and approve the research issues, the countries to be studied and the mix of research methods to be employed. The LTC will be responsible for both supervising and conducting the research program and for supervising actual research teams in the field or in the U.S.

Specific research proposals and expected outputs will be approved by AID each year in conjunction with the CA workplan approval process. Research proposals will be reviewed by the LTC and then presented to the LAC/DR/RD office for review and approval. The basic selection criteria will include:

1. the importance of the topic to policy planning and project implementation;
2. a diversity of research methodologies both among and within any research theme;
3. longitudinal approaches and opportunities to analyze the legal contexts of land tenure issues;
4. opportunities to collect and analyze intrahousehold data; and
5. studies that allow cross-country comparisons.

Other criteria may be established by LAC/DR/RD and S&T/RD.

Financial Plan

The amount of funds obligated by this PIO/T, \$150,000, will partially fund a total agreement estimated at \$800,000. This PIO/T obligates funds for year one of the four year project. The illustrative budget is presented in Attachment A to this PIO/T.

Illustrative Four-Year Budget

	<u>Project Funds</u>			
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Full Time PhD Coordinator	37,000	39,000	41,000	43,000
Research Assistant	14,000	14,000	15,000	15,000
Fringe (22%)	11,000	12,000	12,000	13,000
Travel				
U.S.	4,000	4,000	5,000	5,000
International (includes consultants)	12,000	12,000	14,000	8,000
Research Expenses				
Consultants	20,000	60,000	42,000	30,000
Surveys & related costs	13,000	40,000	15,000	5,000
Workshops & Disseminations	5,000	12,000	10,000	20,000
Other (communication, computer, reproduction, etc.)	3,000	5,000	5,000	5,000
Evaluation				15,000
Overhead (26%)	31,000	52,000	41,000	41,000
Total	<u>150,000</u>	<u>250,000</u>	<u>200,000</u>	<u>200,000</u>

ANNEX A
CABLE RESPONSES TO PID



UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT

Randy

MISSION TO HAITI

For U.S. MAIL:

USAID / HAITI
Department of State
Washington, D.C. 20520

RDO/85/0529
May 7, 1985

For INTERNATIONAL MAIL:

USAID / HAITI
P.O. Box 1634
Port-au-Prince, Haiti, W.I.

Mr. Dwight Steen
Acting Chief
LAC/DR/RD
Agency for International Development
Department of State
Washington, D.C. 20523

Dear Dwight:

Please excuse the delay in getting our comments on the draft PID on Tenure Security. The Action Plan, however, took up a great deal of my time as well as staff. In any case, please pass the following to Randy. I trust they will be useful.

First, let me applaud your proposed Tenure Security and Land Market Research Project, particularly in light of two major, long-term, hillside farming/watershed management projects now entering the design stage, and whose ultimate success will depend upon a satisfactory resolution of tenure security issues.

The Haitian tenure situation differs markedly from that characteristic of most other LAC countries. Land fragmentation, spurred by almost two hundred years of bilateral, partible inheritance, is well advanced, and the "typical" mountain peasant farmer operates several widely separated plots, each under .5 ha. in area, under a variety of tenure arrangements including freehold, informally divided inheritance, leasehold and stratum-internal sharecropping. Land ownership, while more widespread than in any other LAC country, often involves parcels whose total area is insufficient to sustain family consumption and/or produce a true, marketable surplus. Nonetheless, we believe that the owners of contiguous parcels on hillsides and fragile lands can be organized for soil conservation works and effective small farmer mountain agriculture. Tenure insecurity on peasant held lands is not the initial limiting factor -- rather, it is appropriate hillside farming technologies that must be developed. Needless to say, however,

.../...

tenure is by no means a static feature of the rural economy, given the absolute powerlessness and disenfranchised status of the peasant in Haitian society. Land-grabbing and fraud, both public and private, can be expected to follow any significant improvement in productive potential, and schemes for guaranteeing future security are of essential importance.

Large, private landholdings (absentee or owner-operated) are characteristic of most of the fertile plains. These, however, are limited and the single largest landholder throughout the country, by all estimates, is the State itself. Although the actual extent and location of State holdings remains unknown, even within the central government, a significant portion of Haiti's mountainous fragile land base is under nominal State control, and without private owners. State lands, when even marginally arable, are let out by local tax authorities for nominal annual or long-term fees, as part of essentially informal power prerogative/salary supplements. Better State lands are leased in large tracts by wealthy provincial towns-people, and sub-let in small parcels to peasant operators at considerable profit. In either case, peasant operators with no hope of tenure security are inclined to overexploit State lands, and extract maximum short-term benefits, with strong disincentives to land improvement. Even unlet State lands are ravaged for fuelwood and charcoal production, then cropped for one or two seasons, and abandoned to erosion.

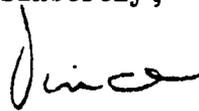
In terms of our new hillside agriculture focus, tenure security and land access issues on private lands pale in comparison to the State land problem. We strongly suspect that State lands operated by peasant lessees are under considerably more pressure in terms of short-sighted intensive exploitation of both wood and soil resources. Some definitive research on this issue is likely to be needed even during the design phase of the project mentioned above. Pursuant to results of research, we will probably propose, through policy dialogue and program leverage, privatization of State lands through homesteading in selected critical watersheds. Homesteading and titling will be contingent on conformity to overall hillside land improvement program. Clearly, this is THE major policy issue facing us over the next several years, and has implications for central government authority and its control over a provincial power base. We, therefore, would welcome a component in the proposed research project that deals directly with the political and fiscal implications of public lands distribution and land reform generally. Also homesteading schemes that have already been attempted elsewhere would be of special interest. Land reform is always a political and transformative process, but in the Haitian case, the State will be

RDO/85/0529
May 7, 1985
Page 3

implicated directly, and the explicit object of privatization will be the implementation of new soil-conserving farming systems on fragile lands.

Needless to say, we welcome all available assistance on this matter through the proposed project, and reiterate our support for the initiative.

Sincerely,



Vincent Cusumano
Chief, Office for Rural Development

cc Eric Chetwynd, ST/RD/RRD

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AIDAC

FOR RANDY STRINGER, LAC/DR/ED

E. O. 12356: N/A
SUBJECT: USAID/ES/RDD RESPONSE TO DRAFT PID ON
LAND TENURE AND MARKET RESEARCH.

REF: 1985 STATE 056533

1. USAID/ES/RDD HAS REVIEWED THE SUBJECT PID AND CONCURS WITH THE SCOPE OF WORK. MANY OF EL SALVADOR'S CURRENT AND ANTICIPATED AGRARIAN REFORM PROBLEMS AND RESEARCH NEEDS ARE IDENTIFIED WITHIN THE PID PROBLEM STATEMENT AND PROPOSED SCOPE OF WORK. ESPECIALLY IMPORTANT TO EL SALVADOR ARE THE THREE COMMON THEMES OF TITLE SECURITY AND TITLING SYSTEMS, SECOND GENERATION PROBLEMS AND THE DEVELOPMENT OF LAND MARKETS.
2. EL SALVADOR CURRENTLY HAS AN EXTENSIVE PROGRAM TO IMPROVE, UPDATE AND LEGITIMIZE THE LAND TITLING AND REGISTRY SYSTEM. SECOND GENERATION PROBLEMS, AS IDENTIFIED WITHIN THE PID, ARE EMERGING AND MUST BE DEALT WITH IN A TIMELY AND WELL REASONED MANNER. AN APPROACH TO ENCOURAGING AN ACTIVE AND EQUITABLE RURAL LAND MARKET IS A PRIORITY OF USAID/ES/RDD.
4. VARIOUS COMPONENTS OF ON-GOING PROJECTS HAVE SOME FUNDS AVAILABLE TO SUPPORT RESEARCH IN THE AREAS OUTLINED WITHIN THE SCOPE OF WORK. PRELIMINARY DISCUSSIONS BETWEEN THE GOES, USAID/ES/RDD AND THE LAND TENURE CENTER REGARDING THE SCOPE AND FUNDING OF SPECIFIC PROBLEM AREAS HAVE TAKEN PLACE AND ARE PROGRESSING. WE WOULD BE INTERESTED IN LEARNING IF COLLABORATIVE EFFORTS BETWEEN USAIDS AND THIS PROPOSED PROJECT ARE CONTEMPLATED. WILL THERE BE A BUY IN MECHANISM INCLUDED IN THE FIRST PROJECT DESIGN TO ASSIST USAIDS GAIN DIRECT ACCESS TO SPECIFIC RESEARCH PROPOSALS?
2. A SPECIFIC ISSUE RELATED TO BOTH TITLE SECURITY AND SECOND GENERATION PROBLEMS WHICH IS OF PARTICULAR CONCERN TO USAID/ES/RDD IS THE DEFINITION OF BENEFICIARY RIGHTS WITHIN THE PRODUCTION COOPERATIVE STRUCTURE, ESPECIALLY AS THE ISSUE PERTAINS TO EXTENDING THE BENEFITS OF THE REFORM TO AS MANY ELIGIBLES AS POSSIBLE AND RATIONALIZING THE NUMBER OF COOPERATIVE MEMBERS WITH THE PHYSICAL RESOURCE BASE AND LABOR REQUIREMENTS. PICKERING

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AMEMBASSY SAN SALVADOR
AMEMBASSY QUITO

UNCLAS PANAMA 02429

AIDAC

FOR LAC/DR/CD

*E. C. 12356: N/A
SUBJECT: COMMENTS ON DRAFTS PID ON TENURE SECURITY
AND LAND MARKETS RESEARCH

REF.: STATE 056503/01

1. UNDER SEPARATE COVER, WE ARE FORWARDING DRAFT
TERMS OF REFERENCE FOR LAND TITLING STUDY TO BE
INITIATED BY 85 BY USAID/P. THIS DOCUMENT WILL
PROVIDE A SUBSTANTIVE AFFIRMATIVE RESPONSE TO REF.

2. COMMENT: THE DRAFT PID IS AN EXCELLENT, CONCISE,
WELL WRITTEN PRESENTATION OF THE PROBLEM AND
JUSTIFICATION FOR A REGIONAL RESEARCH APPROACH. THE
DRAFT PID HAS ONE MAJOR AND VERY SERIOUS FLAW AND
UNLESS CORRECTED THE PROPOSED PROJECT SHOULD BE
STOPPED. THE FLAW IS THE MINISCULE LEVEL OF FUNDING -
US DOLLARS 800,000 FOR FOUR YEARS. IF THIS WHOLLY
INADEQUATE FUNDING IS BUT A SMOKE SCREEN COVERING
PRESUMED SUBSTANTIAL BILATERAL MISSION'S BUY-INS, IT
NEGATES THE REGIONAL RESEARCH JUSTIFICATION. BRIGGS

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UNCLAS SAN JOSE 02758

AIDAC

FOR RANDY STRINGER, LAC/DR/RD

E.O. 12356: N/A
SUBJECT: COMMENTS ON DRAFT TENURE SECURITY AND LAND
MARKETS PID

REF: STATE 056533

1. RDD STAFF REVIEWED SUBJECT PID AND RESPONSE TO
SPECIFIC QUESTIONS IN REF. CABLE FOLLOW:

2. PROPOSED ACTIVITIES AS DESCRIBED IN PID WILL
DEFINITELY PROVIDE BENEFICIAL RESEARCH SUPPORT TO
MISSION PROGRAM.

3. ALL OF THE PROPOSED RESEARCH ACTIVITIES OUTLINED
IN SECTION 11B OF PID WILL BE SUPPORTIVE TO MISSION,
BUT MOST PARTICULARLY AS RELATED TO (A) TITLING
SYSTEMS AND THEIR IMPACT ON THE ECONOMIC BEHAVIOR OF
THE LANDHOLDER AND (B) LAND MARKETS.

4. NO RDD FUNDING IS AVAILABLE FOR DIRECT SUPPORT OF
PROPOSED PROJECT. HOWEVER, PROJECT NO. 515-0148
(AGRARIAN SETTLEMENT AND PRODUCTIVITY) HAS A VERY
LIMITED AMOUNT OF FUNDING FOR EVALUATION OF
IMPLEMENTATION PROGRESS AND THE PROJECT'S IMPACT ON
BENEFICIARIES, BUT NOT FOR AN EVALUATION OF THE
COUNTRY'S TOTAL AGRARIAN REFORM EXPERIENCE.

5. DURING PID REVIEW ISSUE OF USE OF COLLABORATIVE
MECHANISMS FOR CONDUCTING RESEARCH SHOULD BE
ADDRESSED. RDD SUGGESTS THAT COLLABORATIVE RESEARCH
MECHANISMS BE UTILIZED AS MUCH AS POSSIBLE TO
MAXIMIZE THE INVOLVEMENT OF HOST COUNTRY RESEARCHERS
AND AGENCIES, SO THAT THEY MAY BE EQUALLY EDUCATED BY
THE PROCESS, ESPECIALLY IF RESEARCH RESULTS ARE TO BE
PUT INTO PRACTICE.

6. IN ADDITION TO ABOVE COUNTRY SPECIFIC RESPONSES,
MISSION HAS THE FOLLOWING GENERAL COMMENTS WHICH MAY
BE USEFUL IN IDENTIFYING ISSUES FOR AND PID REVIEW:

A. SECTION 1.A. OF PID IDENTIFIES AS A PROBLEM THE
CONTINUED FAILURE AND WILLINGNESS OF LARGE LANDOWNERS
TO DIVEST THEMSELVES OF THEIR HOLDINGS, AND INDICATES
THAT LESS THAN 10 PERCENT OF THE LAND AND THE
LANDLESS POPULATION HAVE BEEN AFFECTED BY LAND REFORM
IN THE PAST 20 YEARS. YET, IT IS NOT CLEAR FROM PID
WHETHER THE ATTENTION TO BE GIVEN TO LAND MARKETS AND
TENURE SECURITY UNDER THIS PROJECT ADDRESSES THE
IMPACT OF SUCH ACTIVITIES AS INCENTIVES OR
DISINCENTIVES TO LARGE LANDHOLDERS MAKING LAND
AVAILABLE FOR TRANSITION TO SMALLER UNITS.

B. PID IDENTIFIES INTERACTIONS OF AGRARIAN REFORM
SECTOR WITH REMAINDER OF ECONOMY AS AN IMPORTANT
SECOND GENERATION PROBLEM. WE THINK IT IMPORTANT TO
EMPHASIZE THAT THE BASIS FOR IDENTIFYING WHAT
LINKAGES THE AGRARIAN REFORM SECTOR SHOULD MAKE TO
THE ECONOMY AND WHICH SHOULD BE RESEARCHED IN A
COUNTRY, E.G. AGRO-PROCESSING, EXPORT PRODUCTION,
MARKETING, COOPS, ETC. MUST BE BASED ON AN
AGRICULTURAL SECTOR STRATEGY WHICH IDENTIFIES HOW
THAT SECTOR CAN BEST CONTRIBUTE TO ECONOMIC GROWTH.

7. MISSION APPRECIATES OPPORTUNITY TO COMMENT ON PID.
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AIDAC

FOR LAC/DR/RD

E. O. 12356: N/A

SUBJECT: RESPONSE TO DRAFT PID ON TENURE SECURITY AND
LAND MARKETS

1. GENERAL RESPONSE TO THE PID IS POSITIVE, AND THE PROPOSED PROJECT COULD PROVIDE BENEFICIAL SUPPORT TO MISSION. IN REGARD TO TENURE SECURITY AND TITLING, IT IS NOT SO MUCH RESEARCH THAT IS NEEDED, BUT ACTUALLY CARRYING OUT A LEGISLATED PROGRAM THROUGH A CADASTRAL OFFICE. TRUE, THERE ARE OFTEN IMPEDIMENTS TO CARRYING OUT SUCH A PROGRAM, SUCH AS LACK OF A LEGISLATIVE MANDATE, SOCIAL AND ECONOMIC ANTECEDANTS, INEFFECTIVE ADMINISTRATION, ETC. BUT WHAT SUCH A PROGRAM SHOULD CONSIST OF IS KNOWN. IN REGARD TO LAND MARKETS, MORE RESEARCH IS WARRANTED ON HOW TO ESTABLISH MORE ACTIVE MARKETS. THIS IS ONE AREA THAT THE MISSION HOPES TO ADDRESS IN ITS COMPREHENSIVE AGRICULTURAL POLICY DIALOGUE WITH THE NEW GOVERNMENT.
2. ATTENTION SHOULD BE GIVEN TO PROVIDING SECURE TITLES TO NATIVE PEOPLES WHO EITHER HOLD LAND COMMUNALLY OR INDIVIDUALLY. THIS SHOULD INCLUDE AN EXAMINATION OF THE PRODUCTIVITY OF THE LAND TITLED TO THEM FOR INDIGENOUS SUBSISTENCE AGRICULTURE AS WELL AS MARKET AGRICULTURE. THIS IS PARTICULARLY IMPORTANT AS COLONIZATION SPREADS TO MORE MARGINAL AREAS.
3. THE MISSION DOES NOT CURRENTLY HAVE ANY ONGOING PROJECTS WITH FUNDS FOR RESEARCH IN THIS AREA. IT IS POSSIBLE THAT SOME ACTIVITIES IN RESPECT TO NUMBER 2 ABOVE MAY BE UNDERTAKEN IN FY 86 BY APODESA, A GROUP RESPONSIBLE FOR PROVIDING RATIONAL PLANNING AND POLICY ADVICE FOR THE CENTRAL SELVA REGION OF THE HIGH JUNGLE. ALSO, THERE IS A POLICY ANALYSIS UNIT IN THE MINISTRY OF AGRICULTURE WITH FUNDS FROM THE AGRICULTURAL PLANNING AND INSTITUTIONAL DEVELOPMENT PROJECT CHARGED WITH INVESTIGATING THE INTERRELATIONS AMONG PRODUCTIVITY, CREDIT, LEGAL FOUNDATIONS OF INDIVIDUAL AND COLLECTIVE LAND OWNERSHIP, ETC.
4. MISSION FORESEES A POSSIBLE CONFLICT BETWEEN THE GOAL OF LONG-TERM RESEARCH AND SUGGESTED IMPLEMENTING ARRANGEMENTS. IN ORDER TO ASSURE A LONG-TERM EFFECT WITHIN COUNTRY, THE POSSIBILITY OF IMPLEMENTING ARRANGEMENTS THROUGH A LOCAL UNIVERSITY SHOULD BE EXPLORED.
5. THE PROJECT SHOULD MAKE FUNDS AVAILABLE FOR SHORT-TERM PROBLEM SOLVING TOYS. JORDAN

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AIDAC

FOR RANDY STRINGER, LAC/DR/RD

E. O. 12356: NA

SUBJECT: COMMENTS ON DRAFT PID ON TENURE SECURITY AND
LAND MARKETS RESEARCH

REF: (A) STATE 056533, (B) PANAMA 02429

1. USAID/BOLIVIA ECHOES USAID/PANAMA (REF B) COMMENTS REGARDING THE HIGH QUALITY AND COGENT PRESENTATION IN SUBJECT DRAFT PID (REF A), AS WELL AS THE SENTIMENT THAT FUNDING LEVEL FOR THIS FOUR-YEAR EFFORT IS EXTREMELY LOW, GIVEN AVAILABLE PROGRAM FUNDING OF SOME MISSIONS FOR BUY-INS.

2. PRESENTLY, USAID/B HAS NEITHER PROJECTS NOR RESEARCH PLANNED WHICH WOULD PERMIT US TO TAKE IMMEDIATE ADVANTAGE OF THE CONTEMPLATED LAC PROJECT. THE CONSENSUS WITHIN THE MISSION IS THAT FUTURE PROJECT ASSISTANCE IN AGRARIAN REFORM WOULD BE CONTINGENT UPON A MAJOR GOE INTEREST IN AND COMMITMENT TO RESTRUCTURING OF THE INSTITUTIONS PRESENTLY IMPLEMENTING THE BOLIVIAN AGRARIAN REFORM. SHOULD A COMMITMENT TO INSTITUTIONAL REFORM AND AUSPICIOUS POLITICAL AND ECONOMIC CONDITIONS APPEAR FORTHCOMING, USAID/B COULD DURING THE LIFE OF THE PROJECT, REQUIRE ASSISTANCE IN PREPARING AN IN-DEPTH ANALYSIS OF THE 30 YEARS OF BOLIVIAN EXPERIENCE WITH AGRARIAN REFORM AND THE SECOND GENERATION PROBLEMS MENTIONED IN THE DRAFT PID, PLUS A DIAGNOSIS OF PRESENT INSTITUTIONAL OPERATIONS, STRATEGY FOR IMPLEMENTATION OF AGRARIAN REFORM AND LAND TITLING. CORR

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FOR RANDY STRINGER, LAC/DR/RD

E.O. 12356: N/A

TAGS:

SUBJECT: DRAFT PID ON TENURE SECURITY AND LAND MARKETS
RESEARCH

REF: STATE 56533

IBRD INVITED BRAZIL TO BEGIN DISCUSSIONS LARGE PROJECT
IN LAND REFORM/LAND TENURE. MISSION URGED AID/W
ENGAGE AID'S INTEREST LAND TENURE AS APPROPRIATE TO
THE IBRD/BRAZIL DISCUSSIONS. THIS DRAFT PID FURTHER
SIGNALS AID RESOURCE WITH APPLICATION TO IBRD AND BRAZIL
LAND TENURE QUESTION. ASENCIO

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INTERESTED MISSIONS/LDCC MAY NEED TO BE ADDRESSED
DURING THE PID REVIEW.
(DRFTD: ARDO: JCORREA/APRVD: DDIA: SCHLOTTHAUER) NEWITT

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FOR LAC/DR/RD, RANDY STRINGER

E. O. 12356: N/A
SUBJ: DRAFT PID ON TENURE SECURITY AND LAND MARKETS
RESEARCH

REF: STATE 056533

1. AT PRESENT MISSION DOES NOT HAVE A LAND TITLING OR
LAND MARKET RELATED PROJECT. BASED ON MISSION'S
EXPERIENCE WITH THE SECOND IRDP, WE RECOGNIZE THAT
RELATIONSHIPS BETWEEN TENURE AND ACCESS TO FORMAL
SOURCES OF CREDIT AND TECHNICAL ASSISTANCE WARRANT
FURTHER INVESTIGATION AS A PREREQUISITE FOR FUTURE
UPLAND AGRICULTURAL DEVELOPMENT PROGRAMS.

2. IT IS IMPORTANT TO NOTE THAT UNLIKE MANY LATIN
AMERICAN COUNTRIES, TITLE IN JAMAICA IS NOT A CRITICAL
PREREQUISITE FOR TITLE SECURITY BECAUSE (A)
CUSTOMARY TENURE IS ACCEPTED AND (B) SEVERAL
MECHANISMS ARE SAID TO EXIST TO OVERCOME THE PROBLEM
MECHANISMS ARE SAID TO EXIST TO OVERCOME THE PROBLEM
WITHIN THE LEGAL CONTEXT.

3. GIVEN THE ABOVE NOTED BACKGROUND, THE FOLLOWING
MISSION COMMENTS ARE PROVIDED IN SIMILAR SEQUENCE
TO THOSE IN PARA 2 OF REF CABLE:

A. PROPOSED ACTIVITY WILL NOT PROVIDE IMMEDIATELY
ANY BENEFICIAL RESEARCH SUPPORT TO USAID/J BECAUSE
PROJECT IS BASICALLY AIMED AT AN AFTER-THE-FACT
SITUATION. FURTHERMORE, USAID/J IS NOT LIKELY TO
BENEFIT FROM INITIAL CROSS-COUNTRY RESEARCH FOR ITS
PROPOSED FY 86 HILLSIDE PROJECT SINCE LAC/DR PROJECT
WILL NOT BE IMPLEMENTED UNTIL FY 86. HOWEVER, LAC/DR
PROJECT COULD BENEFIT FROM RESEARCH AND STUDIES
TO BE UNDERTAKEN PRIOR TO USAID'S FY 86 HILLSIDE
PROJECT DESIGN. ON THE LONG TERM, BOTH USAID/J AND
THE LAC/DR PROJECT COULD BE MUTUALLY SUPPORTIVE
PROJECTS BOTH SUBSTANCE AND FINANCIALLY WISE.

B. OVER THE LONG RUN, BOTH TITLE AND LAND MARKETS
RESEARCH WOULD BE USEFUL. FOR THE SHORT TERM, NONE.

C. NO. HOWEVER, USAID/J PLANS TO UNDERTAKE A SERIES
OF STUDIES ADDRESSING THE TITLE SECURITY AND OTHER
CONSTRAINTS TO AGRICULTURE DEVELOPMENT DURING FY 85.

D. FINALLY, THE WHOLE ISSUE OF HOW WILL THIS WEALTH
OF CROSS-COUNTRY RESEARCH INFORMATION BE PUT
TOGETHER, INTERPRETED AND EXTENDED TO PARTICIPATING/

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TO SECSTATE WASHDC 6144

UNCLAS BELIZE 0769

AIDAC

E. O. 12356: N/A

SUBJECT: DRAFT PID ON TENURE SECURITY AND LAND MARKETS

REF: STATE 056533

1. USAID/BELIZE RESPONSE TO QUESTIONS ON SUBJECT PID IN ORDER
PRESENTED IN REFTEL FOLLOW:

A. BELIZE HAS THE LOWEST POPULATION DENSITY IN CENTRAL AMERICA
RESULTING IN LITTLE PRESSURE ON THE LAND. UNIMPROVED LAND, EVEN
THOUGH FERTILE RIVER BOTTOM SOIL, IS UNACCEPTABLE COLATERAL TO
MOST LENDING INSTITUTIONS. PROOF OF OWNERSHIP IS NOT THE
CONTROLLING FACTOR. LAND VALUE AND LIQUIDITY OR MARKETING IS.

B. AS BELIZE DEVELOPS THE ISSUE OF LAND OWNERSHIP, SITTLING,
LANDMARKETS, PROPERTY RIGHTS AND TITLE REGISTRATION WILL UNDOUBTEDLY
NEED TO BE ADDRESSED.

C. GIVEN THE ABOVE ISSUES TO BE ADDRESSED IN THE PROPOSED PROJECT
ARE NOT AMONG PRIORITY ISSUES IDENTIFIED IN THE MISSION DEVELOPMENT
STRATEGY.

D. NONE AT THIS TIME.

E. NONE AT THIS TIME.

BARNEBEY

ANNEX B
LOGICAL FRAMEWORK

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

Life of Project:
From FY 84 to FY 87
Total U.S. Funding 2,000,000
Date Prepared: 9/26/85

Project Title & Number: _____

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <ol style="list-style-type: none"> 1. Assist in regional program to overcome problems associated with insecure tenure and access to land. 2. To support applied research on tenure-related issues and agrarian transformation problems, particularly title security and agricultural land markets in Latin America. 	<p>Measures of Goal Achievement:</p> <p>Resources committed and activities organized by USAID and host countries.</p> <p>Research results are translated into policy actions and program activities.</p>		<p>Assumptions for achieving goal targets:</p> <p>Host-country government are committed to solving tenure-related problems.</p>
<p>Project Purpose:</p> <p>To provide project managers and policy makers with the analytical basis and rationale for examining and interpreting land use and tenure information.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> 1. Incorporation of research results into Action Plans and projects. 2. Resources committed and activities organized by USAID and host countries. 3. Sources and amount of requests for research results. 	<p>AID/W and Mission assessments of on-going research projects.</p>	<p>Assumptions for achieving purpose:</p> <p>Project managers and designers will make use of the information. The research results are widely distributed.</p>
<p>Outputs:</p> <ol style="list-style-type: none"> 1. A coherent body of new literature on land issues. 2. Regional-level strategy statement on tenure improvement programs to address specific issues. 3. Mission and country-level strategies for addressing tenure-related problems. 4. Assessments and project design assistance. 	<p>Magnitude of Outputs:</p> <p>Special studies, comparative studies, state-of-the-art papers, a synthesis of research findings published and distributed to AID/W, Missions and LTC network.</p>	<p>Post-project evaluation</p>	<p>Assumptions for achieving outputs:</p> <p>A proper mix of studies on various tenure issues are carried out.</p>
<p>Inputs:</p> <ol style="list-style-type: none"> 1. Land Tenure Center staff and network. 2. Tenure Security and Land Market Project Coordinator. 3. LAC/DR/RD Project Manager. 4. Mission responses and commitments. 	<p>Implementation Target (Type and Quantity)</p> <p>LAC/DR 800,000 AID/W 200,000 Missions 350,000</p>	<p>AID obligation records</p>	<p>Assumptions for providing inputs:</p> <p>Funding availability</p>

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ANNEX C

Land Related Problems in Central America

LAND-RELATED PROBLEMS: CENTRAL AMERICA

By: Dwight Steen

I. The Economic and Social Rationale for Improving Access to Land

The distribution of agricultural land and other assets plays a major role in determining the distribution of benefits from agricultural growth.

1/ In Central America, as in other developing countries, the lack of access to land is intimately related to rural poverty, low agricultural productivity, and social and political unrest. The lack of secure tenure arrangements also inhibits the husbanding of land resources. Especially when combined with rapid population growth, it leads to deforestation, soil erosion, and other forms of environmental degradation. 2/

Research in recent years has revealed that a broadly-based agricultural development strategy involving small cultivators in commercial production offers the best prospects for rapid, sustained, and equitable rural development. 3/ Small farms tend to be more employment-intensive than large farms. From an economic efficiency standpoint, they tend to achieve higher output relative to the scarcity value of their total factor inputs than do large farms. 4/ The impact of extensive land tenure reform has usually been subject to controversy. 5/ In some cases, it has been clearly successful. In Japan and Taiwan, extensive agrarian reform after World War II -- with substantial U.S. government involvement -- had favorable economic impacts. 6/

The pattern of agricultural growth in Central America has been distorted, at least to some extent, by government policies such as overvalued exchange rates, subsidized interest rates, and fiscal and tariff policies that have encouraged large producers to adopt capital-intensive technologies. Mechanization, however, often simply replaces labor with capital while affecting production negligibly, if at all.

Capital-intensive growth has thus limited the growth of the incomes of the poor. Displaced agricultural workers, especially if they are illiterate or lack industrial skills, cannot be fully absorbed by urban industry. Many have remained in the countryside, some with small plots of their own and some living with relatives, finding occasional wage labor. The result has been the creation of a large landless and near-landless population, whose numbers continue to expand because of rapid population growth.

Capital-intensive growth and factor price distortions reflect underlying inequalities in the distribution of assets -- both physical resources and human skills -- in the society. ^{7/} Support for such distortions comes from the politically and economically powerful, who benefit from cheap capital and protective tariffs.

Factor price reforms should increase wage employment opportunities for the rural poor. Additional access to income-earning opportunities can be provided through private ownership of assets. As traditional agrarian structures break down (during the process of development) large numbers of people lose relatively secure niches and are unprepared to take

advantage of new opportunities. Many of the jobs created by more realistic factor pricing will still be beyond the reach of the rural poor. With secure access to land and water they would be better able to take care of their minimum needs, even at low income levels, during the difficult transition from an agrarian to an industrialized society. An increase in asset acquisition helps to increase the political power of the rural population and their ability to influence development policies at both local and national levels. An example of this from U.S. experience is described in the following quotation:

In the Midwest, where the distribution of assets has never been highly skewed, large numbers of people have made a relatively smooth transition from rural to urban life. For landless sharecroppers of the South whose opportunities were narrowed by mechanization of the cotton harvest, the transition has been much more traumatic. In both cases, farms (or operating units) were being enlarged and labor productivity was increasing rapidly.... Emigres from the Midwest typically had high school or even college level training. They were members of property owning families which had exercised strong influence over state and local school systems. As workers on family enterprises, they had gained valuable experience which augmented their formal training. Southern sharecroppers (particularly black sharecroppers) had exerted no such influence over local policies. Neither did they have a secure base from which to seek and prepare for new opportunities. Most had fewer than six years of schooling, and outright illiteracy was not uncommon. Many found that attractive jobs in the North were as scarce as subsistence opportunities in their old communities. 8/

A wider distribution of assets therefore can increase production and productivity in many instances by offering realistic incentives for effort, use of inputs, conservation of soil fertility and long-term investments. 9/ Such incentives are lacking in tenancy and sharecropping as well as in the colono 10/ (hacienda) systems

where landowners have alternative investment opportunities. A more equitable distribution of assets, as noted above, tends to increase the efficiency of agricultural production; but the extent to which this occurs depends on the access small farmers have to efficient and effective delivery systems for credit and production inputs and to transportation, storage and marketing channels for their products. Raising the incomes and purchasing power of the rural poor can also contribute to effective demand and help stimulate local industries.

II. Dimensions of the Problem of Inequitable Land Distribution

Three key dimensions of land distribution problems in Central America are: a) the concentration of landholdings, b) insecurity of tenure arrangements and c) rural landlessness.

A. Concentration of Landholdings

One frequently used measure of the concentration of landholdings is the Gini index of inequality. ^{11/} Like any statistic which attempts to describe a complex phenomenon in simple terms it can also distort reality. The Gini index does, however, provide one useful way of analyzing land distribution problems. The Gini indices presented in table I refer to landholdings, any part of which was used for agriculture without making any distinction among different

qualities of land or even whether the land was actually cultivated. For example, the high Gini index for Costa Rica reflects the existence of generally small farms in the rich coffee growing areas near population centers, and large farms and ranches in the more remote areas of the country, typically involving land of much lower value.

Given these caveats, it may be seen from Table I that Guatemala has the most highly skewed agricultural landholding pattern in the region (GI = 85), followed closely by pre-reform El Salvador (GI = 83). Data are not available to calculate a Gini index for El Salvador since the reform was initiated. However, Phase I of the reform has converted the largest farms in El Salvador which include 219,832 hectares (15% of the land in farms) into farmer cooperatives with 32,317 members for an average of 6.8 hectares (17 acres) per member. This shift alone has already made a significant change in the concentration of landholdings in that country.

It may also be seen from the data presented in Table I that all of the countries in Central America have Gini indices significantly higher than the average (GI = 67) for sixty-seven developing countries. However, concentration of holdings must also be considered in light of such other factors as population pressures, proportion of the population which is rural, and availability of land in the country. The problem of concentration is especially severe in

Guatemala because its population density is second highest in the region, particularly in the central highlands where most of the indigenous population is concentrated. Much of the additional available land in Central America is found in Nicaragua, Costa Rica, Honduras and Panama.

Table II provides data on the distribution of farms by size categories. These are the data from which the Gini indices were computed. The 1979 census in Guatemala found that 88 percent of the farms were smaller than 7 hectares (17 acres), but they comprised only 16 percent of the land in farms. At the other end of the spectrum, farms larger than 44.8 hectares (114 acres) accounted for 2.6 percent of the farms but 65 percent of the land in farms. The story was essentially the same in pre-reform El Salvador. Costa Rica has 43 percent of farms in the smallest category and only 12 percent in the largest. The data for Mexico indicate that distribution there is not much better than elsewhere in Central America. However, excluded from these data are nearly two million farmers on 60 million hectares (152 million acres) of ejido-type farms. ^{12/}

The data presented for the United States show that in 1969 about 29 percent of the farms were larger than 100 hectares (247 acres) and occupied 82 percent of the land in farms, while nearly half of the farms were between 20 and 100 hectares (49-247 acres). Of the 52 million hectares (128 million acres) of total land in Central America 5.3 million is in crops. 8.1 million is in permanent

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pastures. The great bulk of the remainder is in forest, although part is also in roads, water bodies, towns or otherwise unused. The Food and Agriculture Organization (FAO) estimates that as much as 24.1 million hectares (60 million acres) are suitable for cropping and that 15.8 million hectares (39 million acres) are suitable for use as pasture or woodland. These figures, however, include vast, sparsely populated areas of eastern Honduras, Nicaragua and Costa Rica as well as the Peten region of Guatemala, for which sustainable productive technology has not been developed and which are virtually devoid of infrastructure. Given current agricultural practices, potential cropland is also overstated because sizeable areas must be fallowed in order to maintain the land's productivity. According to these FAO estimates, 46 percent of the land in Central America could potentially be cropped, compared with only 25 percent of the total land area of the United States. In order to realize this potential, however, substantial investment in infrastructure as well as technology development will be required.

Concentration of land holdings per se may not be detrimental to the economic social and political development of a country. However, concentration of holdings in situations where land is under-utilized and under conditions of abundant rural labor, coupled with a lack of non-farm employment opportunities (characteristic of the Central American countries), may indeed prove to be a major obstacle to increased economic development. While the development process should eventually result in a declining agricultural population, the urban

sector in Central America is not yet able to absorb sufficient labor for this to be a near-term solution. In the meantime, increased availability of productive assets in agriculture can increase the productivity and incomes of low-income groups.

B. Insecurity of Tenure Arrangement

In most of the Central American countries, a large proportion of farms are operated under insecure tenure arrangements. While the degree of insecurity varies from renters and sharecroppers to colonos and squatters, all of these tenure forms are less secure than outright ownership. It is not suggested that land tenure security is the only factor leading to rural poverty, but there is no question that it has a strong influence. Insecurity of tenure affects the economic choices available to the farmer in that lack of title may restrict access to credit; it may affect decisions to invest in land improvement (fertilizer, erosion control, irrigation and drainage works, etc.); and it restricts the farmer's freedom to sell out or acquire additional land.

For a farmer, tenure security is almost synonymous with economic security. The farmer's desire to control his own economic destiny is a culturally determined characteristic which is well established among Central America's largely Hispanic and indigenous populations. This often expressed, almost organic craving of farmers to control their own plot of land should not be ignored or minimized.

A 1973 survey of 531 Costa Rican campesinos by type of tenure, income and education level, indicated that rural poverty is not only related to landlessness but to the tenure security of small holders as well. ^{13/} Incomes of plantation laborers, sharecroppers and untitled landholders were lower than those of titled landowners even though educational levels of the former groups were higher.

Data presented in Table III from the most recent censuses of agriculture indicate that Panama and Honduras have the greatest percentage of farms within the insecure tenure group. Since the 1971 census, Panama has established a number of collective farms and Honduras has launched a titling program (described below) in response to this problem. The data for El Salvador show a significant decrease in owner-operated farms between 1950 and 1971. Again, the current reform in El Salvador has already improved tenure security for large numbers of former renters and sharecroppers.

C. Rural Landlessness and Near Landless

People who neither own land nor have use rights through rental, sharecropping, or other arrangements but who depend on agricultural employment are considered landless. Those with landholdings too small to provide enough production and income to meet minimum family needs are classified as "near landless." These people depend primarily on seasonal agricultural employment for their livelihood. They may be members of rural landowning households who cannot be

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fully employed on the family plot or individuals who have left the land because further subdivision became irrational. The proportion of population in the landless and near landless categories has been growing rapidly in most of the Central American countries. More than 30 percent of the rural population in the region is landless or near landless.

III. Current Regional Responses to Land Related Problems

A. Distribution (Concentration of Ownership)

Certainly the most far reaching attempts to remedy highly skewed concentrations of ownership have occurred in Nicaragua and El Salvador. It is reported that at the end of their regime, the Somoza family and their supporters owned as much as 20 to 25 percent of Nicaragua's farm land. The Sandinista government expropriated all lands held by the Somoza family, and authorized the acquisition of all lands classified by the government as abandoned or grossly underutilized. To date, most of the farms affected by the expropriation have remained intact. The titles are held by the State, and they are operated by groups of farmers who share management responsibility with the central government.

In El Salvador under the sweeping agrarian reform program initiated in March 1980, over 20 percent of the land in farms has been affected, and 500,000 rural people have benefitted to date. Table IV provides a summary of the current status of this reform.

Since the fall of the Arbenz government in 1954, Guatemala has concentrated efforts on the distribution of government-owned lands. Between 1955 and 1982 nearly 665,000 hectares were distributed to 50,000 beneficiary families. About 44 percent of this land was distributed in family-sized farms with the title vested in fee simple to the individual head of family. A quarter of the land was titled to groups of farmers and a another quarter in mixed ownership patterns (individual ownership of crop land and communal ownership of pastures). The remainder was distributed in small-sized plots averaging 4.7 hectares (12 acres).

Since 1968, Panama's agricultural policies have sought to improve the productivity and living standards of the rural population by organizing small farmers into collective settlements (asentamientos) or cooperatives; by providing them with land, credit and technical assistance; and by facilitating marketing of their output. Initially, these efforts were oriented towards land acquisition and settlement, peasant organization and provision of social and economic services such as education, health and feeder roads. Between 1969 and 1972, the Government acquired 330,000 hectares (one-sixth of the total land in farms in 1970). Since 1973, the emphasis shifted towards the consolidation of settlement efforts in lands already acquired and the expansion of production. In mid-1975 over 8,000 families remained established in 200 collective farms and 300 other cooperative units.

Honduras has a program supported by the Inter-American Development Bank developing the Aguan-Valley, where 7,000 families will produce citrus and palm oil products in an integrated farm-to-market agricultural settlement.

In 1980, with AID funding Costa Rica initiated an agrarian settlement program in Costa Rica. This included financing for roads, housing, community infrastructure, farmer training, production credit, and other activities. This project has suffered several delays, but to date about 2,000 families have been settled.

B. Tenure Security (Legal Title)

The land reform measures in El Salvador mentioned above in III. A. also address the problem of tenure security for renters and sharecroppers through the legitimization of property rights to the land they have been farming. To date 51,000 farmers have filed claims to 81,000 hectares of land under this program (see table IV for more details). The more modern titling and registration system (described below) being used in Costa Rica is also being installed in El Salvador.

AID, over the years, has funded cadaster projects in several Central American countries designed to create a technically and legally sound property registry system to serve as a basis for land titling. In 1982, AID provided funding in Honduras for a small farmer titling

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project. The project is designed to streamline the process of establishing a legal claim to land, verifying and registering such a claim, and processing, issuing and registering title to the land. This project is expected to benefit about 70,000 farm families by handling 15,000 claims per year.

The settlement program in Panama described above in III. A. was much like colonization projects in other countries except that many of the settlers were already squatting on the land. The program then legalized their status and also made available credit, technical assistance and markets. It was designed to both distribute government land and provide improved tenure security.

The government of Costa Rica is modernizing its land titling and registration process. This has involved a shift from the system inherited from Spanish colonial times wherein property titles were filed in the land registry under the name of the owner, to a system whereby properties are registered by location. Therefore to locate the registration of a particular property it will not be necessary to search through a large number of files. The old system was suitable when only a few hundred individuals owned property, but now that hundreds of thousands of people own property (a sign of progress) it is exceedingly cumbersome.

C. Landlessness and Near Landlessness

The chronic problem of landlessness and near landlessness and the parallel concerns for rural unemployment, underemployment and excessive migration to overburdened urban centers have been addressed primarily through labor-intensive employment schemes. In Guatemala, for example, the government launched a labor-intensive farm-to-market road construction effort which began in 1978. During 3 1/2 years of activity, 58 roads totaling 325 kilometers were constructed or improved. Over one million person days of labor were employed. Honduras also has a labor-intensive rural trails construction program underway. This type of construction and maintenance work is often used for other community infrastructure projects such as irrigation works, soil conservation work and reforestation, and may also include PL 460 food for work as compensation. Many of these efforts have been supported by AID.

IV. Country Options

As indicated earlier, the urban sector is not yet able to absorb the landless rural population in Central America, so solutions in rural areas are needed for the present. Increasing the accessibility to land is one means of achieving this. This section describes the major options available for increasing access.

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A. Expropriation and Redistribution of Land

In Central America, land has long represented the principal form of wealth and the principal source of economic and political power; the land tenure system reflects social class structures and relations. A restructuring of these systems with their rules and procedures involves changes in the political, social and economic power positions of several groups within the society.

For this reason redistributive reform is a contentious political, economic and social issue, but changes in land distribution also can dramatically affect incomes of the poorest groups. A major issue in redistributive reform is the method of land acquisition.

Expropriation of privately held land with compensation by the state, similar to the reforms of Mexico, El Salvador and Japan, is the most direct and comprehensive option. A common feature is a maximum size limit on the amount of land one family or individual can hold. Often the limit has been determined as the size of unit which can be operated by the farmer with his own family labor.

Another alternative designed to both improve tenure security and redistribute land is a land-to-the-tiller program wherein land previously rented or sharecropped is expropriated (with compensation) and title given to the tillers. Payment is usually structured in an amount not to exceed former rental payments. Phase III of the El Salvador reform is an example of this type of program.

Implementation of reform programs has often created great uncertainties for those potentially affected, leading to deferral of agricultural investments and declines in agricultural output. To avoid this, the reform must establish a compensation scheme based on valuations other than market prices existing prior to the reform. If compensation is at full market value it may fail to meet the distributional goals.

B. Development of Commercial Land Markets

One alternative to expropriation is the development of commercial land markets. The objective of land market development is to enable rural residents to gain access to adequate size parcels, even though they have limited funds for down payment. Existing land markets in the dualistic societies of Central America operate in an extremely imperfect context. For example, there may be large landholdings which owners would be willing to sell, but the institutional and financial mechanisms to facilitate their transfer to a large number of smallholders are not in place. Such a program, then, would require the establishment of facilitative legislation and a financial institution specifically authorized to promote land sales to small farmers. While transfers of land would be voluntary in such a program, the government could provide incentives to large landholders such as exclusion of the resulting capital gains from taxation or tax incentives for reinvesting land sale proceeds in key industries. The government might also establish an upper limit on land holdings and allow individuals to voluntarily reduce their holdings.

C. Progressive Land Taxation

Another alternative reform is progressive land taxation. Land taxes should increase incentives to utilize land resources fully and penalize inefficient land use. Progressive rates (by size and quality of holding) would reduce incentives for large holdings. Where taxes were based on potential production rather than actual income, taxation can create powerful incentives for voluntary sale to smaller producers of under-utilized land. This could also drive down land prices. Land taxation can be politically and administratively difficult to implement.

D. Colonization

Colonization projects have generally included relatively high-cost, complex infrastructure (e.g. housing, irrigation and drainage, potable water systems, and community centers,) combined with settlement of families on government-owned lands. For this reason, these efforts often fall short of providing desired access to productive resources (land and markets) for the large majority of landless peasants, and the generally high cost per beneficiary indicates a need for simple project designs and for alternative strategies.^{14/}

Government policies which would provide only the essential infrastructure (i.e. all-weather penetration and market roads,

a clearly defined cadastral system, land set-aside for future school and community structures, minimum and maximum limits to the size of a claimable homestead) could be used to induce spontaneous, but "controlled" colonization at a much lower cost and for significantly larger numbers of people. The movement of settlers into new areas is seen as a gradual process where the head of household or an older child will go to the settlement, begin to clear and plant part of the land. Meanwhile the family continues to subsist as before. Over a period of several years, the family will enlarge the acreage planted in the settlement area, construct a house and eventually move to the site. The need is for the government to facilitate this process. Infrastructure such as schools, water systems, health care facilities, etc. can be developed over time, in part by the government and in part by the settlers.

E. Titling Improvement Program

A less politically sensitive program which can help address the problem of tenure security is issuance of titles to squatters on national land and other farmers who have de facto titles or provisional titles. In many cases, dealing with the issuance of a large number of titles places a tremendous burden on those agencies of the government which are charged with titling. In some cases, the methods employed in title issuance and registration are archaic and need to be modernized. Here, technical assistance and modern computers, word processors and photogrammetry equipment can make a

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major impact on accelerating this process. Improving secure tenure through titling can have many payoffs in terms of political and social stability, investment, access to inputs, and increased production and income.

FOOTNOTES

- 1/ See, for example, Marvin Sternberg, "Agrarian Reform and Employment: Potential and Problems," International Labour Review 103 (May, 1971): 53-76; William R. Cline, "Interrelationships between Agricultural Strategy and Rural Income Distribution," Food Research Institute Studies 12 (1973): 139-157; Irma Adelman and Cynthia Taft Morris, "A Typology of Poverty in 1850," Economic Development and Cultural Change 25, Supplement (1977): 313-343.
- 2/ See Erik P. Eckholm, Losing Ground: Environmental Stress and World Food Prospects, Foreword by Maurice F. Strong (New York: W. W. Norton & Company, Inc., 1976).
- 3/ The rationale for such a strategy is clearly presented in Bruce F. Johnston and William C. Clark, Redesigning Rural Development: A Strategic Perspective (Baltimore: The Johns Hopkins University Press, 1982).
- 4/ See R. Albert Berry and William R. Cline, Agrarian Structure and Productivity in Developing Countries (Baltimore: The John Hopkins University Press, 1979).
- 5/ See Dale W. Adams, "The Economics of Land Reform in Latin America and the Role of Aid Agencies," AID Discussion Paper No. 21 (Washington, D. C., 1969); Peter Dorner and Don Kanel, "The Economic Case for Land Reform," Land Reform in Latin America: Issues and Cases, ed. Peter Dorner, Land Economics Monograph No. 3 (Madison: Land Tenure Center, University of Wisconsin, 1971), pp. 39-56.

- 6/ Among the most successful agrarian reform programs were those implemented in Japan and Taiwan, with substantial U.S. government assistance, after World War II. For a first-hand account by a major architect of these programs, see Wolf Ladejinsky, Agrarian Reform as Unfinished Business: The Selected Papers of Wolf Ladejinsky, ed. Louis J. Walinsky (New York: Oxford University Press for the World Bank, 1977).
- 7/ See Hla Myint, Economic Theory and the Underdeveloped Countries (New York: Oxford University Press, 1971).
- 8/ Marion R. Brown, "Agrarian Reform and Rural Development In Developing Countries: An Overview," in Background Papers for the United States Delegation (World Conference on Agrarian Reform and Rural Development, FAO, Rome, 1979).
- 9/ This is what Raup refers to as "Accretionary Capital Formation." See Philip M. Raup "Land Reform and Agricultural Development," in H.M. Southworth and B.F. Johnston, Agricultural Development and Economic Growth (Ithaca: Cornell University Press, 1967).
- 10/ Colonos are residents on large estates who are given use rights in exchange for (at least partial payment of) labor services rendered on the estates. They continue to enjoy use of the plot of land only if they remain employed on the estate.
- 11/ The Gini Index of Inequality, when applied to agricultural land is based on two variables: farm size and amount of land. The number of farms in each size category is compared to the amount of land in each category. In a perfectly equal distribution the Gini Index would equal 0. The higher the index, the greater the concentration of land.
- 12/ An ejido is a communal land holding established under the Mexican agrarian reform.
- 13/ Mitchell A. Seligson, Peasants of Costa Rica and the Development of Agrarian Capitalism (Madison: The University of Wisconsin Press, 1980).
- 14/ See Michael Nelson, The Development of Tropical Lands (Baltimore: The Johns Hopkins University Press, 1973), which reviews the experience of 24 colonization projects in Latin America. Nelson finds that benefit-cost relationships are generally more favorable for spontaneous colonization than for directed colonization projects.

Table I

Distribution of Agricultural Land: - Gini Index of Inequality

<u>Country</u>	<u>Year</u>	<u>Index of Inequality</u>	<u>Year</u>	<u>Index of Inequality</u>
Guatemala	1979	85	1950	86
El Salvador	1971	83	1950	81
Nicaragua	1963	80	1950	76
Costa Rica	1973	81	1950	83
Honduras	1974	78	1952	76
Panama	1971	78	1961	73
Average 67 Developing Countries	Various	67		

Source: World Handbook of Political and social Indicators, Yale University Press 1964 and 1972... Hough, Richard, Land and Labor in Guatemala: An Assessment, 1982 and unpublished FAO paper: World Synthesis of Agriculture.

The Gini Index of Inequality, when applied to agricultural land is based on two variables: farm size and amount of land. The number of farms in each size category is compared to the amount of land in each category. In a perfectly equal distribution the Gini Index would equal 0. The higher the index, the greater the concentration of land.

Table 11

Percentage Distribution of Farm Holding and Area in Farms by Size Categories

Country	Census Year	Percent of Farms				Percent of Land in Farms			
		<5 ha	5-20 ha	20-100 ha	>100 ha	<5 ha	5-20 ha	20-100 ha	>100 ha
Costa Rica	1950	62.4	21.1 ^{1/}	14.2	2.3	1.4	0.7	29.1	60.0
	1973	43.2	21.9	22.3	12.6	1.9	6.0	25.1	67.0 ^{4/2}
El Salvador	1950	80.7	13.2	5.1	1.0	12.4	14.5	23.2	49.9
	1971	84.9	9.1	3.3	0.7	19.6	16.4	25.1	38.9
Guatemala	1950	74.2	19.9	3.7 ^{1/}	0.3 ^{2/}	9.0	13.7	27.0 ^{1/}	50.3 ^{2/}
	1973	88.1 ^{3/}		9.1 ^{4/}	2.6 ^{5/}	16.2 ^{3/}		18.7 ^{4/}	65.1 ^{5/}
Honduras	1952	57.0	29.9	11.3	1.0	0.1	10.3	27.2	46.4
	1966	47.2	35.6	14.0	2.4	5.5	17.3	29.3	47.9 ^{1/3}
Nicaragua	1952	19.0 ^{6/}	31.7	35.9	12.6	0.0 ^{6/}	4.0	23.0	70.4
	1963	35.4	20.4	25.1	11.1	1.5	5.1	20.5	72.9
Paraguay	1950	52.0	34.0	12.4	1.6	0.3	22.3	33.9	35.5
	1971	45.4	30.5	20.0	3.3	3.6	13.1	37.5	45.0 ^{4/5}
Peru ^{1/2/}	1950	73.6	14.0	7.6	4.0	1.3	2.3	5.2	91.2
	1960	66.0	16.0	9.6	6.0	1.1	2.2	5.3	91.4
United States	1969	5.9	17.5	47.0	20.0	0.1	1.2	16.4	82.4

^{1/} Includes farms 20-500 hectares^{2/} Includes farms 500 hectares and larger^{3/} Includes farms up to 7 hectares^{4/} Includes farms 7 to 44.8 hectares^{5/} Includes farms 44.8 hectares and larger^{6/} Does not include farms smaller than 1 hectare.^{7/} Does not include ejido sector

Sources: FAO, World Agricultural Structure, General Introduction - Number and size of Holdings, Study No. 1, Rome 1961; OAS Instituto Interamericano de Estadística, La Estructura Agropecuaria de los Países Americanos, Washington, D.C., 1957; OAS, Instituto Interamericano de Estadística, América en Cifras - 1974, Situación Económica (No.1), Washington, D.C., 1974; and agricultural census publications for the data given in the table.

Table III

Percentage Distribution of Land Holding by Tenure Categories

Country	Census Year	Secure Tenure (Owner/Operator)	Percent of Farms	
			Collective	Insecure Tenure ^{1/}
Costa Rica	1950	81.1	-	18.9
	1973	85.4	-	14.6
El Salvador	1950	62.0	-	38.0
	1971	39.4	-	60.0
Guatemala	1950	55.6	-	44.4
	1973 1964	88.0 58.	4.9	12.0 37.1
Honduras	1952	21.3	33.9	44.8
	1966	22.4	24.7	52.9
Nicaragua	1952	-	-	-
	1963	38.6	8.0	53.4
Panama	1950	12.8	-	87.2
	1971	11.6	-	88.4
Mexico	1950	49.1	50.2	0.7
	1960	44.9	53.1	0.2

^{1/} Includes, renters, sharecroppers, Colonos, squatters and mixed tenure farms.

Source: FAO, World Agricultural Structure, General Introduction - Number and size of Holdings, Study No. 1, Rome 1961; OAS, Instituto Interamericano de Estadística, La Estructura Agropecuaria de las Naciones Americanas, Washington, D.C., 1957; OAS, Instituto Interamericano de Estadística, América en Cifras - 1974, Situación Económica (No.1), Washington, D.C., 1974; and agricultural census publications for the dates given in the table.

Table IV

Current Status of the Agrarian Reform Program in El Salvador

Phase I deals with properties of 500 hectares (1,235 acres) and over, and with smaller properties voluntarily offered for sale.

- Some 426 properties are now included in Phase I. This is a total of 219,832 hectares or 15.1% of the country's land in farms.
- The land claimed is turned over to farmer cooperatives, formed with government assistance. There are 317 functioning production cooperatives, most of which are completing their third year of operation.
- The operating farms have 32,317 cooperative members, who with their families are estimated to total 194,000 rural people.
- As of the end of July 1983, compensation to former owners by the Salvadoran Government totaled \$102.8 million, including \$7 million in cash, and \$95.8 million in agrarian reform bonds.

Phase II deals with properties of 100-500 hectares, or 247-1,235 acres.

- Because of administrative and budgetary constraints, the Salvadoran Government has postponed this category of reform indefinitely.

Phase III allows former renters and share-croppers to claim the land they worked under those arrangements, as of May 6, 1980, up to a maximum of 7 hectares, or 17.3 acres.

- As of the end of July 1983, some 51,089 farmers had filed claims for land they had rented. A total of 80,858 hectares, or 5.6% of the country's land in farms, had been claimed. Including family members, approximately 306,500 rural people now benefit from improved tenure security to the land they till.
- 43,186 provisional titles to land have been issued.
- 2,691 final titles have been issued.
- Compensation to former owners now totals \$6.2 million of which one-half (\$3.1 million) is in cash, and one-half in agrarian reform bonds.

[Updated: LAC/DR/RD: DSteen: pf: 08/25/83: 5587C]

ANNEX D
ENVIRONMENTAL WAIVER

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

LAC/DR-IEE-85-60

ENVIRONMENTAL THRESHOLD DECISION

Project Location : LAC Regional
Project Title : Tenure Security and Land Market
and Number : Research
: 598-0638
Funding : \$800,000
Life of Project : Four years
IEE Prepared by : Dwight Steen
: LAC/DR/RD
Recommended Threshold Decision : Categorical Exclusion
Bureau Threshold Decision : Concur with Recommendation
Comments : None
Copy to : Dwight Steen, Chief
: LAC/DR/RD
Copy to : Randy Stringer, LAC/DR/RD
Copy to : IEE File

James S. Hester Date SEP 27 1985

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Washington/LAC/DR
Project Title : Tenure Security and Land Market Research
Funding : \$800,000
Life of Project : 4 Years
Prepared by : Dwight Steen, LAC/DR/RD

Project Description:

The purpose of this project is to support long-term applied research on tenure security and land markets in Latin American and the Caribbean in order to provide project designers and managers with the analytical basis for examining and interpreting land use and land tenure information.

Environment Impact:

The project is funding research and is not an action oriented project which will have any environmental consequences. The project will have no environmental consequences yet it is intended, in part, to measure environmental impacts of titling and land market projects.

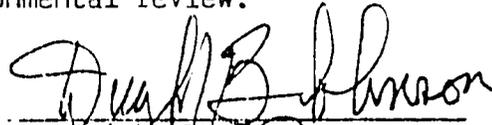
Section 216.2(c)(ii) of 22 CFR Part 216, Environmental Procedures, describes the classes of action which are eligible for categorical exclusion and for which an Initial Environmental Examination is not generally required.

216.2(c)(ii)

Where "USAID does not have knowledge of or control over the details of specific activities that have an effect on the physical and natural environmental..."

Environmental Action Recommended:

Based on the categorical exclusion discussed above, LAC/DR/RD recommends that the Tenure Security and Land Market Research Project be given a Negative Determination requiring no further environmental review.



Dwight B. Johnson
Director, LAC/DR

SEP 11 1985

Date