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AGRARIAN REFORM IN ECUADOR*

by

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All views, interpretations, recommendations, and conclusions expressed in this paper are those of the authors and not necessarily those of the supporting or cooperating agencies.

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Agrarian reform in Ecuador came late (1964), triumphed in principle by military fiat before an effective constituency could develop, enjoyed a brief period of considerable progress, and then was emasculated when its military patrons were overthrown in 1966. Government interest in agrarian reform programs reappeared in 1970, but it is still too early to tell if these new efforts will be effective.

This paper examines the history of agrarian reform in Ecuador and the reasons for the poor record of traditional government agrarian reform programs.[1] It also discusses an alternative agrarian reform mechanism recently adopted in Ecuador, namely the guarantying of private land-sale transactions accompanied by a program

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*Respectively, former Assistant Director for Economic Development and Economic Advisor, U.S. AID Mission to Ecuador. This paper is based in part upon a longer study prepared for AID's Spring Review of Land Reform in June 1970: Charles Blankstein, Clarence Zuvekas, Jr., Alfonso Avilés, and Jack Nixon, Land Reform in Ecuador, Spring Review Country Paper (Washington, D.C.: U.S. Agency for International Development, June 1970). A later version was published in Economic Development and Cultural Change 22 (October 1973): 73-94. The authors have benefited considerably from discussions with Alfonso Avilés of USAID/Ecuador, Carlos Camacho of IICA/Turrialba, and Lewis Townsend of CLUSA/Ecuador. Professor William Thiesenhusen of the Land Tenure Center (LTC) has provided a number of valuable comments, both on the Spring Review document and on an earlier draft of this paper. Professor Peter Dorner of the LTC made a number of useful suggestions during the development of the land-sale guaranty project described below. Any remaining errors are the responsibility of the authors, whose views as expressed in this paper should in no way be interpreted as representing the official position of the U.S. government.

1. A detailed discussion of colonization as an alternative or complement to agrarian reform is beyond the scope of this paper. An argument for placing strong emphasis on colonization in Ecuador has been made by Anthony Bottomley. See "Agricultural Employment Policy in Developing Countries: The Case of Ecuador," Inter-American Economic Affairs (Spring 1966):53-79 and "Programa de ingresos para la agricultura del Ecuador," El Trimestre Económico (julio-septiembre 1966):403-421. But the problems that have attended colonization efforts thus far in Ecuador suggest that Bottomley has underestimated the costs and administrative difficulties of such efforts.

of supervised agricultural credit. While it appears that such a program is not universally applicable even within Ecuador, there is reason to believe that it might be feasible in several other Latin American countries. Proponents of revolutionary agrarian reform measures have argued that such a program is anti-revolutionary, that it retards a meaningful redistribution of wealth; but we shall argue that it may have precisely the opposite effect.

Background to the Agrarian Reform and Colonization Law of 1964

The distribution of agricultural land in Ecuador is one of the most unequal in Latin America. The 1954 Agricultural Census[2] showed that 56.7 percent of the agricultural land was concentrated in only 3,704 units, or barely more than 1 percent of the total number of farms. At the other end of the scale, 73.1 percent of the landholdings were less than 5 hectares each and comprised only 7.2 percent of the total land area (see Table I). Of the total of 344,234 farm units in 1954, 233,900 (72.9 percent) were owner-operated while 110,334 (29.1 percent) were operated under various other forms of tenure (see Table II). The Comité Interamericano de Desarrollo Agrícola (CIDA) considered 90 percent of the farm units too small to provide full and productive employment for two persons.[3]

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2. Banco Central del Ecuador, Ministerio de Economía y Banco Nacional de Fomento, Primer Censo Agropecuario Nacional--1954 (Quito, julio de 1956).

3. Of the seven countries studied by CIDA, Ecuador had the highest percentage (89.9) of farm units (in 1954) classified as "sub-family," or too small to provide full and productive employment for two people under conditions of typical incomes, markets, and levels of technology prevailing in each country. Solon Barraclough and Arthur Domike, "Agrarian Structure in Seven Latin American Countries," Land Economics (November 1966), Table I, p. 395. In Ecuador farms of less than 20 hectares were considered as sub-family units. (This is a revised figure. The original study for Ecuador [CIDA, Tenencia de la tierra y desarrollo socio-económico del sector agrícola--Ecuador (Washington, D.C., Organization of American States, 1965)] considered farms of less than 10 hectares as sub-family units. We consider the original figure to be more appropriate. Even so defined, the percentage of farm units classified as sub-family was still 83.7. See Table III below.)

TABLE I

LAND DISTRIBUTION BY SIZE OF FARM, 1954 AND 1968

Size of Farm (Ha.)	Farm Units				Area			
	1954		1968		1954		1968	
	Number	Percentage	Number	Percentage	1,000 Has.	Percentage	1,000 Has.	Percentage
Less than 1.0	92,387	26.8	206,273	32.6	46.0	0.8	93.0	1.3
1.0- 4.9	159,299	46.3	264,074	41.7	386.2	6.4	615.6	8.9
5.0- 9.9	36,250	10.5	68,527	10.8	271.5	4.5	466.3	6.7
10.0- 19.9	21,400	6.2	36,228	5.7	294.3	4.9	485.6	7.0
20.0- 49.9	19,415	5.6	32,746	5.2	591.5	9.9	1,018.3	14.7
50.0- 99.9	8,327	2.4	15,555	2.5	547.2	9.1	976.7	14.1
100.0-499.9	5,787	1.7	8,467	1.3	1,156.3	19.3	1,647.9	23.8
500.0-999.9	664	0.2	922	0.1	464.7	7.7	634.6	9.1
1,000.0 and more	705	0.2	426	0.1	2,242.0	37.4	999.6	14.4
TOTAL	344,234	100.0	633,218	100.0	5,999.7	100.0	6,937.5	100.0

NOTE: Data for 1954 and 1968 are not entirely comparable because of differences in geographic coverage.

SOURCES: Primer Censo Agropecuario Nacional--1954, Tabla No. 3, p. 7; Encuesta Agropecuaria Nacional--1968, Cuadro No. 1, p. 1.

TABLE II

LAND DISTRIBUTION BY TYPE OF TENURE, 1954

Type of Tenure	Farm Units: Number of Farms	Farm Units: Percent	Land Area: 1,000 Has.	Land Area: Percent
Owners	233,900	67.9	4,889.4	81.5
Renters	17,038	4.9	426.2	7.1
Sharecroppers	13,336	3.9	64.7	1.1
Huasipungueros	19,747	5.7	60.8	1.0
Comuneros	5,778	1.7	25.7	0.4
Other simple leaseholders	23,783	6.9	202.0	3.4
Other mixed types	30,652	9.0	330.9	5.5
TOTAL	344,234	100.0	5,999.7	100.0

SOURCE: Primer Censo Agropecuario Nacional--1954, Tabla No. 4, pp. 25-26.

TABLE III

CAPACITY OF FARMS TO SUPPORT FAMILY UNITS, 1954

Type of Farm	Number of Farms	Percentage
Sub-family	287,936	83.7
Family	45,548	13.2
Medium Multi-family	9,381	2.7
Large Multi-family	1,369	0.4
TOTAL	344,234	100.0

SOURCE: CIDA, Tenencia de la tierra, Cuadro A-11, p. 522.

The land tenure structure prevailing in 1954 and the working conditions of a large number of families had not changed very much since colonial times.[4] Although the abolition of imprisonment for debts in 1918 had removed the legal basis sustaining

4. For a description of the evolution of land tenure systems from colonial times to the early twentieth century, see CIDA, Tenencia de la tierra, pp. 25-44.

compulsory servitude under the concertaje,[5] a modified version of that system, called the huasipungo, continued up to the 1960s. Under this system, entailed tenant farmers (huasipungueros) were required to work 4-6 days per week for the landlord, either for pay at about half the free-labor rate or for the use of a small plot of land (the huasipungo) and at least one other privilege, such as gathering firewood or the use of the landowner's pastures.[6] After 1918, the number of families under the huasipungo system declined, but by 1954 there were still almost 20,000 or 5.7 percent of the total number of farm units (see Table II). Ex-huasipungueros were hardly any better off economically,[7] and other oppressive systems, such as the arrimado[8] in the province of Ioja, also continued in existence.

Until the 1950s, there were few pressures of any kind for agrarian reform. Lack of unity among the numerous Indian groups made it difficult to organize

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5. "The 'concertaje' is an inheritance of the colonial period, during which it existed in fact, though legally it seems to have been prohibited by the Leyes de Indias. It is a labor contract under which the Indian, with the help of a loan from the landowner, agrees to work on the latter's land. Under this arrangement the Indian sold himself for life, for neither could he ever repay the debt nor was it desired that he do so. Since debts were transferred from father to sons, the Indian remained irremissibly tied to the land where he was born. Moreover, since Ecuadorian law prior to 1918 provided for imprisonment for failure to pay debts, the landowner was given a formidable weapon with which to subjugate the Indian" (Manuel M. Marzal, "El Indio y la Tierra en el Ecuador," América Indígena (enero de 1963), p. 14).

6. The abuses of this system are vividly described by Jorge Icaza in Huasipungo (Buenos Aires: Editorial Losada, 1953; originally published in 1934), one of the most powerful novels in Latin American Literature.

7. Indeed, the experience of the post-1964 reforms (see below) indicates that many were worse off: traditional water, pasture, and transit rights were lost and not replaced by other benefits such as credit or technical assistance.

8. Arrimados are "in general, free farmers settling on an hacienda because the owner has legally defended them in some way. In payment for this service they provide, according to the stipulations of a verbal contract, several days of agricultural labor per week without any remuneration" / CIDA, Tenencia de la Tierra, pp. 74-75, quoting Piedad Costales, El Huasipungo (Quito, 1962). p. 24 /.

campesinos on a national scale. Labor movement activities were negligible until the founding in the 1950s of the Federación Ecuatoriana de Indios (FEI), an affiliate of the Confederación de Trabajadores Ecuatorianos (CTE), which in turn has ties with the World Federation of Trade Unions. The Confederación Ecuatoriana de Obreros Católicos (CEDOC), an affiliate of the Confereración Latinoamericana de Sindicalistas (CLASC), began to work in rural areas only in the early 1960s. Neither organization was very strong, though both helped awaken campesino interest in agrarian reform and helped increase public awareness of the exploitation of the campesino.

Among government employees, support for agrarian reform began to grow as the high degree of inequality in land distribution was made clear by several studies, including an agricultural census of the province of Pichincha in 1952 and a comprehensive study of the Ecuadorian economy published by the Economic Commission for Latin America in 1954. These studies were summarized in a 1954 article by José C. Cárdenas, Deputy Director of the Economic Research Department of the Central Bank of Ecuador, who argued for the establishment of a comprehensive agrarian reform program and an Agrarian Reform Bank to provide credit to those benefiting from it.[9] Other studies pointed to the low level of earnings of huasipungueros and of free laborers.[10]

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9. José C. Cárdenas, "Reforma Agraria y Desarrollo Económico en el Ecuador," El Trimestre Económico (Julio-Septiembre 1954):305-325.

10. A study made by the Instituto Ecuatoriano de Antropología y Geografía in the late 1950s showed that the average daily income of huasipungueros, in cash and kind, was only S/.4.68 (US$0.32 at the then-prevailing rate of 15 sucres to the dollar). For free laborers, the average daily wage was S/.5.60 (US$0.38). See Juan F. Casals M., "La Estructura Agraria del Ecuador," Revista Interamericana de Ciencias Sociales (1963), p. 46. Cárdenas had earlier reported (Reforma Agraria ... en el Ecuador, p. 316) that the average cash income of a huasipunguero was less than one-third that of a free laborer.

The first major support for agrarian reform by a public-sector entity came from the National Planning Board (Junta Nacional de Planificación y Coordinación Económica), which prepared a plan for an agrarian reform law shortly after its establishment in May 1954. No action, however, was taken on this proposal. In the 1956 presidential elections, only one candidate (an unsuccessful one) favored agrarian reform. Nevertheless, interest in agrarian reform continued to grow among public-sector employees and other segments of the middle class, and this interest was stimulated by the results of the 1954 National Agricultural Census, published in 1956. In 1957, as a partial concession to agrarian reform interests, a National Colonization Institute (Instituto Nacional de Colonización) was established under the conservative president Camilo Ponce Enríquez, and in the following year a pilot project was begun near Santo Domingo de los Colorados in the coastal region some 60 miles to the west of Quito.[11] Ponce also authorized the breaking up of large government estates for sale to small farmers, but virtually nothing was actually done under this program.

By the 1960 presidential campaign every candidate thought it wise to express his support for agrarian reform, though no candidate had a well-defined program. Gonzalo Cordero Crespo, backed by the Conservative party, was suspected by those hoping to benefit from agrarian reform as a representative of the landowners and

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11. This project was considered too costly and excessively paternalistic, and it was terminated in 1962. Nevertheless, some 1,600 small farmers had settled in the area and had brought some 25,000 hectares into production, much of it in bananas. To help these colonists, whose standard of living was still quite low, the government obtained a $2.6 million loan from the IDB. This loan, signed in October 1963, was to provide funds for access roads, housing, and working capital. The government's contribution was to be the provision of schools, construction services, and legal, medical, and technical assistance. (See Edwin Erickson et al., Area Handbook for Ecuador /Washington, D. C., U.S. Government Printing Office, August 1966/.) This program was successful in stimulating additional colonization, but the amount of services received by the colonists was less than called for in the program.

seemed to offer only more of the same type of tokenism proferred by Ponce, under whom he had served as Minister of Labor and Social Welfare. Galo Plaza Lasso, backed by a coalition of Liberals and Socialists, was similarly considered suspect as a representative of the Guayaquil commercial interests. Among the major candidates only José María Velasco Ibarra, a charismatic orator who identified with the masses, seemed genuinely interested in agrarian reform.

Velasco won the election by a wide margin and assumed the presidency for the fourth time. In January 1961 he named a commission to study the agrarian problem and a draft law was submitted to the Congress in September. The proposed law met with considerable opposition and failed to pass. Velasco was forced out of office in November 1961, for reasons not directly related to agrarian reform efforts, and was succeeded by his Vice-President, Dr. Carlos Julio Arosemena Monroy, who agreed to establish an agrarian reform law by executive decree prior to August 1963. By mid-1963, little action in agrarian reform was evident, and this was one of the reasons given by the military for their ouster of Arosemena in July 1963.

The 1964 Law and the Establishment of IERAC

The Military Junta succeeding Arosemena was strongly committed to the goals of the Charter of Punta del Este, and it gave considerable support to the Ten-Year Plan for Economic and Social Development (1964-73) initiated under the Velasco and Arosemena governments by the Planning Board. In programming for agricultural development, the Plan gave primary emphasis to a comprehensive agrarian reform program. This strategy was supported by the Alliance for Progress Panel of Nine Committee which reviewed the Plan.[12]

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12. In the Planning Board's view, "No other specific activity in the Plan can with more justification be regarded as strategic, because of its decisive influence on other structural changes not only in the economy but especially in society and politics" /Junta Nacional de Planificación y Coordinación (JNPCF), Plan General de Desarrollo

In accordance with the Plan, an Agrarian Reform and Colonization Law was drafted and was promulgated on July 23, 1964. The Military Government referred to agrarian reform as "the cornerstone on which to build a new, harmonious, just, and dynamic Ecuador."[13] An Ecuadorian Agrarian Reform and Colonization Institute (Instituto Ecuatoriano de Reforma Agraria y Colonización, or IERAC) was established as a semi-autonomous entity to administer the law and to take over the functions of the National Colonization Institute, which was abolished.

To improve the conditions of the small farmer and the agricultural laborer, the law called for the abolition of precarious land tenure systems such as the huasipungo and arrimado; the progressive elimination of absentee systems of exploitation and their replacement by direct and modern management in the form of enterprises or cooperatives; and improvement in living standards through access to landownership, the establishment of adequate minimum wages, profit-sharing in agricultural enterprises, the provision of agricultural extension services, and the incorporation of agricultural workers into the Social Security system.

The lands to be redistributed by IERAC included unused public lands ceded to IERAC under the Law; 77 haciendas belonging to the Social Welfare Board (Junta de Asistencia Social),[14] deficiently utilized private land subject to expropriation; and lands which would revert to IERAC if unexploited for ten years. The law

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12. (continued) Económico y Social /Quito, 1963/, Tomo I, Libro Segundo, p. 5/. The Panel of Nine Committee referred to the inequitable land tenure structure as "the fundamental obstacle to economic progress in the private sector" (Alliance for Progress, Panel of Nine, Evaluation of Ecuador's General Plan for Economic and Social Development /Report submitted to the Ecuadorian Government by the Ad Hoc Committee, August 1964/, p. 70).

13. "Ley de Reforma agraria y Colonización," Decreto No. 1480, Registro Oficial, 23 de Julio de 1964, p. 1. The law was announced on July 11, 1964, the first anniversary of the Military Junta's overthrow of Arosemena. Considerable foreign and national technical assistance was utilized in the preparation of this Law.

14. These lands were confiscated from the Church in 1908. See CIDA, Tenencia de la Tierra, pp. 114-18.

established maximum landholdings of 2,500 hectares in the Coast and 800 hectares in the Sierra, plus 1,000 hectares of pasture land in either region.

IERAC was to pay for expropriated land with special agrarian reform bonds: Class A bonds with a 15-year amortization period and a 6 percent interest rate; Class B bonds, 20 years at 5 percent and a 3-year grace period; and Class C bonds, 30 years at 4 percent and a 10-year grace period. These bonds would be exempt from income taxes; would serve as collateral for agricultural or industrial loans from the Banco Nacional de Fomento (BNF) or for transactions with other public institutions; and could be redeemed in cash at par by IERAC to establish industries classified as "Special" under the industrial development law,[15] to purchase stock in state enterprises, or to make agricultural investments judged by IERAC to be of high priority.

The price of land was to be fixed in accordance with its productive capacity and was to take into account the beneficiaries' ability to pay.[16] The beneficiaries of the expropriations in turn were to pay to IERAC the full purchase price of the

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15. The criteria used to place an industry in this category, which has the most favorable tax and other concessions, are somewhat flexible. The most important considerations, though, are domestic raw-material content, labor intensity, and export potential.

16. For lands owned by the Junta de Asistencia Social, the sale price has usually been fixed as the amount of capital needed to produce interest equal to the average value of production during the previous five years. This determination is made jointly by IERAC and the Controller General of the Republic. An alternative procedure, which has not been used widely, is for IERAC to approve a price agreed upon by the Junta de Asistencia Social and the buyers. In the case of private expropriations, IERAC can approve a transaction where agreement has been reached between buyer and seller or it can directly intervene to establish a sales price if no agreement can be reached. (In practice the latter procedure has been used more than the former.)

land, generally over a period of 15 to 30 years with interest rates of 6 percent or less. IERAC was to invest these funds in infrastructure and other facilities in the agrarian reform areas.[17]

Special financial procedures were established for the liquidation of the huasipungo. If the huasipunguero had worked his plot for ten years, he was entitled to it without having to pay anything to the landowner. If he had worked for more than ten years on his plot, the landowner had to pay him for services received after the tenth year. If the huasipunguero had worked for less than ten years on his plot, he was required to make partial repayment to the landowner in accordance with the number of years he had worked his plot. Compensation was to be determined by IERAC.

Preference was given to precarious tenure holders in the areas in which IERAC intervened. IERAC was committed to providing technical assistance to bring small farmers together into cooperatives. Land awards, however, were to be made to individuals rather than to cooperatives. These land awards were to be based on "family agricultural units" whose size would be determined within two years in

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17. The system of agrarian reform bonds was strongly criticized in a 1966 evaluation of the program (Keith Himebaugh, Frank V. Beck, and Lisa Lekis, Analysis and Recommendations on the Agrarian Reform Problem in Ecuador / Washington, D.C., International Development Services, Inc., 1966/), which advocated direct sales with the Junta de Asistencia Social receiving the amortization payments. It was maintained that such a system would be more attractive to the Junta since the sale prices determined by IERAC would likely result in an annual income to the Junta equal to or greater than what it had been receiving in the form of rent or net returns on direct operation of haciendas (p. 5). It was also argued that "if IERAC acted only as intermediary in the sale of government-owned haciendas, it would be less subject to attack because it would not be in a position of responsibility for collection of land payments and providing infrastructure projects for which it has no funds" (p. 6). These criticisms do not seem to be justified. In the first place, the Junta de Asistencia Social is more likely to agree to sell its lands if it received negotiable financial instruments (even if these had to be sold at a discount) than it would be to agree to an unguaranteed direct sale. Secondly, the provision of bonds to the Junta and payment by the buyers to IERAC provided the latter with some funds, however small; and it is easier to provide funds from bonds than from current revenues.

Accordance with prevailing conditions in each agricultural zone. In the interim, a minimum unit of 5.0 hectares was established. IERAC, which had to approve all rural land transactions, could authorize division of land into plots of less than 5.0 hectares only in exceptional circumstances.

IERAC was also given responsibility for colonization projects, which in the Plan were programmed for a 20-year period, from 1964 to 1984. IERAC was to supervise spontaneous and other private colonization efforts and was to undertake projects of its own in existing colonization zones and in new zones to be selected according to a system of priorities.

The agrarian reform and colonization targets of the Plan through 1969 are summarized in Table V. First priority was to be given to the liquidation of the huasipungo and arrimado systems, which involved an estimated 19,459 and 5,980 families, respectively. By the end of 1969 redistribution of land and enlargement of landholdings was to have benefited 31,071 families, and legalization of property holdings and adjudication on colonization lands was to have benefited an additional 25,500 families.[18] We turn now to a discussion of IERAC's progress toward meeting these goals.

Results of Agrarian Reform and Colonization Projects, 1964-1969

The number of families benefited by agrarian reform and colonization projects from 1964 through 1969 is indicated in Table V. These data show that the total number of beneficiaries (38,399) was less than half the number projected

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18. By 1984, 185,900 families were to have benefited from agrarian reform projects and 68,100 from colonization projects (JNPCE, Plan General de Desarrollo, Tomo II, Libro Sexto, Capítulo II, Cuadro IV-24, p. 107).

TABLE IV

INCOME DISTRIBUTION IN THE AGRICULTURAL SECTOR, 1965

Decile	Income of Decile (millions of sucres)	Percent of Total Income	Income per Active Person (Sucres)
First (lowest)	171.0	2.0	1,820
Second	205.2	2.4	2,183
Third	223.2	2.6	2,374
Fourth	257.4	3.0	2,738
Fifth	291.6	3.4	3,102
Sixth	392.4	4.6	4,174
Seventh	428.4	5.0	4,557
Eighth	565.2	6.6	6,013
Ninth	1,060.2	12.4	11,278
Tenth	4,959.0	58.0	52,755
TOTALS	8,553.6	100.0	9,100 (avg.)

Source: El Desarrollo del Ecuador, 1970-1973, Libro Segundo, Tomo I, p. A1-12. The data are from Comisión Económica para América Latina, El Segundo Decenio de las Naciones Unidas para el Desarrollo--El Desarrollo Agrícola en América Latina, Document No. E/CN. 121829 (1969?).

TABLE V

GOALS AND ACCOMPLISHMENTS OF AGRARIAN REFORM AND COLONIZATION PROJECTS, 1964-1969

Projects	Goals		Accomplishments	
	Families	Hectares	Families	Hectares
Agrarian Reform				
Abolishment of *Huasipungos*	19,459	235,000	17,026	60,093
Abolishment of *Arrimados*	5,970	71,000	1,964	18,825
Other redistributions of land	31,071	354,000	8,867	73,197
SUB-TOTAL	56,500	660,000	27,857	152,115
Colonization				
Legalizations of property holdings and new adjudications on colonization lands	25,500	709,000	10,542	364,934
TOTAL	82,000	1,369,000	38,399	517,049

Source: Goals--*Plan General de Desarrollo Económico y Social*, Tomo II, Libro Sexto, Capítulo II, Cuadro III-19, p. 80 y Cuadro IV-24, p. 107; Accomplishments--IERAC, unpublished data.

in the Plan (82,000). These results are especially disappointing in view of the fact that the goals in the Plan were realistically modest.

The area in which the most progress was made was the abolishment of the huasipungo: 88.4 percent of the estimated number of huasipunguero families had become landowners. However, the average size of their plots was only 3.5 hectares, well below what might be considered a "family agricultural unit," which according to the Plan projections would average 12.1 hectares, and also less than the minimum figure of 5.0 hectares established by the 1964 law. Less progress was made toward abolishing the arrimado (32.9 percent of the projected number of families), though the average size of these plots (9.6 hectares) was closer to the figure projected in the Plan (11.9 hectares). Other redistributions of land affected only 28.5 percent of the projected number of families. The average plots in these cases (8.3 hectares) were also less than what had been projected in the Plan (11.4 hectares).

Colonization projects benefited 10,452 families, or 41.3 percent of the projected number. The average colonist's plot, though, was higher (34.6 hectares) than the figure given in the Plan (27.8 hectares).

Little was done to enforce the maximum limits set forth in the Law.[19] Of the 50 haciendas in which IERAC had intervened through the end of 1969, only 14 involved actual expropriation, 9 without compensation (reversion to IERAC because of noncultivation over a period of 10 or more years or because the occupants could not prove title to the land) and 5 with compensation. Redistribution of land on the remaining 36 haciendas (26 government, 2 church, and 8 private) was accomplished through direct-sale mechanisms.

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19. However, the fact that the absolute number of farms of 1,000 hectares or more declined considerably between 1954 and 1968 (see Table I) suggests that the Law may have had the effect of inducing large landowners to divide their estates, though most of these divisions have probably been only nominal ones involving other family members.

From the very beginning, IERAC failed to receive the financial resources necessary to carry out the objectives of the Plan (see Table VI). Although the Military Junta was strongly committed to agrarian reform, disappointingly low budget revenues in 1965 forced it to cut planned budget allocations to IERAC and to other high priority programs. The two succeeding governments, those of Clemente Yerovi (1966) and Otto Arosemena (1966-68), were even less kind and paid only lip service to the desirability of an effective agrarian reform program. Velasco Ibarra's fifth government, which took office in September 1968, was more seriously committed to agrarian reform but undertook little activity in this field until mid-1970, after achieving its objective of reducing IERAC's autonomy and tying it more closely to the Ministry of Agriculture. Continuing fiscal problems also contributed to the lack of action in agrarian reform until this time.

In addition to the low level of resources received by IERAC, other government entities which were to have provided technical services and infrastructure facilities for IERAC projects also suffered from reduced budget allocations. Furthermore, some of these entities (especially the BNF) were less than enthusiastic about cooperating with IERAC. The portions of the law dealing with services to be provided by other agencies did not make sufficiently clear how much was to be provided (e.g., for credit or for agricultural extension), and there were no adequate mechanisms established to enforce compliance. Within the public sector, apart from IERAC itself, the only serious concern for agrarian reform came from the National Planning Board, which was not an operating agency and which like IERAC had lost considerable presidential support since the fall of the Military Junta in 1966.[20]

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20. The revised Plan for the years 1970-73 states that: "The backwardness of agriculture ... has its origin fundamentally in the deficient structure of tenure and use of the land and in the lack of stimuli and corrective mechanisms for modernizing agricultural enterprises and of mechanisms which would stimulate increased production ...." (JNPCE, El Desarrollo del Ecuador, 1970-73 /Quito, 1969/. Libro

TABLE VI

IERAC: PLANNED, BUDGETED, AND ACTUAL INCOME: 1964-69

(Thousands of Sucres at 1960 Prices)

	Planned Income	Budgeted Income	Actual Income
1964.....	76,000	119,500	48,700
1965.....	147,000	177,900	98,300
1966.....	212,000	236,800	64,700
1967.....	280,000	94,800	78,600
1968.....	353,000	93,900	39,100
1969.....	427,000	105,600	59,000

Source: Plan General de Desarrollo Económico y Social, Tomo II, Libro Sexto, Capitulo II, Cuadro IV-25 (planned income), Government Budget Documents (budgeted income), and IERAC (actual income). Budgeted and actual income were converted to 1960 prices using the implicit price deflator for gross domestic product.

In fact, the amount of assistance actually received by the beneficiaries of agrarian reform and colonization projects was negligible. A study of more than 300 ex-huasipungueros in the Province of Pichincha found that only 1 percent had received any technical assistance from IERAC and even fewer had received credit from the BNF. Extension services from agencies other than IERAC were also lacking.[21] Cooperatives organized by IERAC in the Santo Domingo de los Colorados colonization zone have been little more than paper organizations due to their limited ability to secure credit and technical assistance from other organizations.

IERAC also suffered from internal dissension and deteriorating morale, caused in large part by the rapid turnover of its top leadership, many of whom were political appointees with little enthusiasm for an effective agrarian reform program, and by cumbersome legal procedures for expropriations. The expropriation procedures generally take two or three years or more, and because of this many campesinos have become disillusioned with IERAC. One result has been an increasing incidence of land invasions, particularly in the Coast, since 1967.[22]

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20. (continued) Primero, p. 7). The government was urged to provide political and financial support for a substantial increase in agrarian reform activities (Ibid., Libro Segundo, Tomo I, pp. 50-51).

21. Carlos H. Paredes Barros, "Incidencia Económica y Social del Proceso de Liquidación del Huasipungo en la Provincia de Pichincha," (Thesis for Degree of Economista. Pontificia Universidad Católica del Ecuador, Quito, 1967). This study concluded that the ex-huasipungueros generally were better off economically under the old system. With the liquidation of the huasipungo many were moved to poorer plots of land, and water, grazing, and transit rights were often lost.

22. Land invasions, most of which were promoted by political leaders associated with the FEI and other lefitst groups, first assumed importance in early 1964. After passage of the Agrarian Reform and Colonization Law in July of that year, invasions ceased for a while as campesinos expected to receive land through legal channels. However, when these expectations went unfulfilled, land invasions resumed, reaching a peak in 1968 and 1969. Most of these invasions occurred in the Guayas River Basin and in the Province of Loja, where IERAC had been least effective. Although field interviews with campesinos have shown that the majority prefer to obtain land by legal means, some groups have been convinced by political leaders that they are entitled to land without having to pay for it. Daily police records, from October 22, 1968 to June 15, 1969, contain reports on land invasions involving approximately 25-30 haciendas. In 1969, six campesinos were killed during an attempted land invasion in Loja. Land invasions have been less numerous in 1970, first because of a government crackdown on leftist political activity and secondly because of the enactment of a new agrarian reform law.

An agricultural-sector survey carried out by the Planning Board in 1968[23] shows that changes in land distribution since 1954 have not been very great (see Table I).[24] Nor could they be expected to be, given the modest scope of the land reform program and the fact that it did not begin until 1964. The percentage of landholdings of less than 5 hectares (74.3 percent) is slightly higher than in 1954. The relative number of family-size farms (20.0 - 99.0 hectares) is lower than in 1954, although their share of the total farm land has risen from 19.0 to 28.8 percent. The number of farms of 500 hectares or more, though, has declined absolutely, as has the land area in these farms. The Gini coefficient, a measure of inequality based on the Lorenz curve, fell from 0.86 in 1954 to 0.82 in 1968, indicating only a very slight improvement in overall land distribution.[25]

Social and economic factors relating to the high degree of inequality in the distribution of land have constituted one of the major reasons for the low growth rate of Ecuador's agricultural sector. Many large landowners value land primarily for reasons other than for its economic productivity, and as a result the proportion of unutilized land on large haciendas is often quite high. For example, land is valued for social prestige and as a base for socio-economic and political power. Ownership of large tracts of land results in easy access not only to agricultural credit but also to non-agricultural credit (often disguised as agricultural credit).

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23. JNPCE, Encuesta Agropecuaria Nacional--1968 (Quito, 1969).

24. The data are not entirely comparable because of differences in geographic coverage. Also, the data collected for 1968 were not obtained as a result of detailed procedures used in an agricultural census, and there is evidence that the 1968 survey was carried out quite poorly. Nevertheless, those are the only data available with which to make any comparison with 1954.

25. Américo Sánchez Cárdenas, "La Reforma Agrarian en Ecuador: Una Prioridad Desatendida," Comercio Exterior (México) (Mayo 1970), p. 402.

In some parts of the country land is a good investment as a hedge against inflation. In other cases land is held simply because the lack of land-market institutions (credit, mortgages, guaranties, etc.) results in an absence of effective demand by potential buyers interested in utilizing it productively.

At the other extreme, small farmers who do not own their land are denied access to bank credit and even those who do own their land find it difficult to obtain credit from banks. Furthermore, insecurity of tenure discourages on-farm improvements and other long-term investments by non-owners. Also to be considered are the uncertainties created for large landowners by pressures for land reform since the late 1950s and by the uneven application of land reform legislation. These uncertainties have also held down the rate of agricultural growth, which from 1960 to 1969 was only 2.7 percent, or minus 0.7 percent in per capita terms. The effect of these uncertainties on agricultural investment decisions, and hence on the agricultural growth rate, not only in Ecuador but also elsewhere in Latin America, is a subject to which more research should be devoted.

Renewed Interest in Agrarian Reform in 1970

One of the more notable aspects of the "Quinto Velasquismo" has been a widely shifting policy toward agrarian reform. When Velasco first came into office, he insisted upon IERAC being made part of the Ministry of Agriculture as one element of an overall central government reorganization, the primary feature of which was the suppression of some of the 1,418 semi-autonomous and autonomous public entities over which the central government had less than complete budgetary and policy control. When the initial effort to reorganize IERAC failed, the central government refused to provide it adequate funding; this resulted in the deobligation of a $3.0 million loan from the Inter-American Development Bank to support agrarian reform and colonization activities.

After a long battle, IERAC finally lost some of its autonomy and was placed more directly under the control of the Ministry of Agriculture on March 24, 1970 (Ley CLF-255). At first glance this might seem more like an anti-reform measure, since agricultural ministries in less developed countries are often little concerned with small farmers. However, there was some logic to the move to reduce IERAC's autonomy. IERAC had acquired a reputation as a do-nothing agency administered by non-reformist political appointees. By integrating IERAC more closely with the Ministry, Velasco could say that he was able to watch it more closely, through a politically sensitive Minister, and assure that it achieves its goals. Moreover, he could claim that its programs can be more easily coordinated with other Ministry services needed to support IERAC's activities. IERAC's day-to-day operations continue to be carried out by the same technicians and not by those of a more conservative stripe. It might be objected that this structure may be appropriate at the present, but that it would permit a less reform-minded President to more easily prevent an effective agrarian program from functioning. However, it is hard to imagine a more successful effort at halting agrarian reform activities than that which occurred immediately after the Military Junta's ouster in 1966, when IERAC had more autonomy. In other words, what really counts is support for a program, not its location in the bureaucracy.

In September 1970 a new agrarian reform law was decreed.[26] The objective of this law was to eliminate immediately all rental arrangements and other "precarious" forms of tenancy and to make all farmers landowners. The law abolishes all rental or other payments in cash, crops, work, or services. Farmers and farm workers

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26. "Ley de Abolición del Trabajo Precario en la Agricultura," Decreto No. 373, Registro Oficial, 7 de Septiembre de 1970. The law was in response to a provision in the 1964 Agrarian Reform Law calling for the termination of all rental and sub-rental contracts within eight years.

not fully paid in cash[27] who have been on their land for a minimum of three years may petition IERAC for immediate expropriation of these lands, up to a maximum of 25 hectares in the Sierra and 50 hectares in the Coast, Oriente, and the Galápagos Islands. The law provides for restoration, by force if necessary, of lands from which campesinos were evicted "violently or abusively" during the previous three years or from which they may be evicted in the future.

Campesinos are to pay IERAC for the expropriated land over a 10-year period at an interest rate of 5 percent on the unpaid balance. The purchase price is to be the cadastral valuation of the land as determined by the National Cadastral Office. IERAC in turn is to pay the landowner the same amount with a mixture of cash payments over a five-year period and Class "B" land reform bonds which would enjoy the benefits specified in the 1964 Law (see above).

Expropriations are to be carried out quickly, without the legal formalities of the 1964 law and other pertinent legislation. Landowners are required to register all their lands affected by the law within 90 days. Farmers who do not legalize possession of their lands within three years would lose their right to these lands and the landowner could then petition IERAC to evict them.

It is much too early to determine whether the new agrarian reform law will have a significant impact. The results of its application thus far have been mixed.[28] But there appears to be little reason to doubt the commitment of the

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27. Farm workers could continue as such if they were paid entirely in cash.

28. The new law was first applied to the drought-stricken Province of Loja, where vestiges of the arrimado remain. This program was initiated with great fanfare in September 1970 (the Minister of Agriculture was from Loja) but after two or three months it seems to have been quietly abandoned, for reasons that are not yet clear. The present area of application is the Guayas River Basin. Some success has been achieved, but landowner resistance in some localities has been strong. Many landowners have not registered their lands as required by the law. An article in the January 10, 1971, issue of the Guayaquil newspaper El Universo reported that many landowners were refusing to rent their lands to former tenants and in some cases were forcing them off the land with the help of the police. The conclusion of the article was that the law, on balance, was having a negative effect on the welfare of the campesinos.

Velasco government to the principle of agrarian reform: as a populist leader with strong support from land-reform beneficiary groups, Velasco has long advocated agrarian reform, and the pressures for him to do something about it are much greater now than during his last full term in the 1950s. The doubt, rather, is in the government's ability to administer a program of this nature, especially in light of an austerity program adopted to limit public expenditures as part of a stand-by arrangement signed with the IMF in September 1970. Moreover, the new agrarian reform program in itself will not have too great an impact on small farmers' income levels, since it is limited to land redistribution; it does not provide for credit, technical assistance, or other services.

The Velasco government's interest in agrarian reform has not been limited to traditional programs. It has also accepted the Programa para Promoción de Empresas Agrícolas, a new departure in agrarian reform efforts utilizing private-market mechanisms supported by government-financed credit and technical assistance. The government's acceptance of this program is notable in several respects. First, despite the bland title, the Programa, as distinguished from a general agricultural credit project, is designed for the purpose of providing access to land and credit to low-income, landless farmers organized into cooperatives. Secondly, the government of Ecuador, by supporting the program, has accepted the entrance of the Central Bank of Ecuador as a development agency into the field of assistance for low-income, landless farmers. Thirdly, both the government of Ecuador and AID, which is helping to finance the program, are now involved in an activity which both governments apparently have previously considered too sensitive for bilateral lending.

The program was originally conceived as a pilot project by the USAID Mission to Ecuador to marshall private resources along with foreign capital to promote reform in the absence of meaningful government activity. A $3.6 million AID

loan to support the program was signed in November 1970, by which time government support for agrarian reform activities, both traditional and innovative, had strengthened considerably. This improved climate contributed to a change in project design which made it possible for the Central Bank to emerge as a strong development-finance institution.

The program provides a mechanism to guaranty the extension of credit by participating financial institutions (PFIs)[29] to campesino cooperatives purchasing land in voluntary transactions. Agricultural production financing and technical assistance will be provided through PFIs under the general management and coordination of the Central Bank of Ecuador, which is also contributing funds to the program. The theory is to make it possible for campesinos capable of managing an agricultural enterprise to buy land and to obtain the working capital and technical assistance necessary to farm the land effectively and generate the income necessary to pay for the land. Most of the beneficiaries of the program, at least initially, are expected to be cooperatives of rice farmers in the Guayas River Basin which have been organized since 1968 under a USAID-financed program administered by the Cooperative League of the U.S.A. (CLUSA).

Several interesting characteristics distinguish this program from other agrarian reform projects. First, the nature of the financing is novel. In contrast to most agrarian reform projects where landowners are paid immediately in cash or government bonds, the transaction is financed by the landowner, who extends credit for five to ten years for the purchase of his land, subject to an absolute obligation to pay by the PFI. Thus the financing is basically a private-sector arrangement, with public-sector intervention limited to guarantying defaults of land-sale obligations. Secondly, the transaction is voluntary. Interviews with potential land sellers in the area of operation demonstrated that there are a

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29. PFIs will include the Banco Nacional de Fomento and the Banco de Cooperativas as well as (it is hoped) several private banks.

sufficient number of individuals in the target area who are prepared to sell at reasonable prices which can be amortized within five to ten years.[30] The reasons for the willingness to sell may vary from one landowner to another but generally the major reasons are the uncertainties of the political life of the country, the threat of land invasions, and the desire on the part of individuals to convert land into more liquid assets. The potentially available land is much greater than the amount provided for in the program (25,000 hectares).[31] Even before the initiation of the program seventeen cooperatives were able to purchase land without the benefit of the guaranty provision or of the new agrarian reform law. Some of this land was private land that had been foreclosed by the BNF, but in other cases the purchases were made directly from private owners.[32]

Investigations during project development led its authors to believe that some of the major obstacles to the functioning of the agricultural land market were essentially cultural factors such as distrust and fear of the campesinos' financial irresponsibility and its consequences rather than a desire to maintain ownership of land because of its income-producing potential or maintenance of status. Greater confidence in cempesinos' willingness and capacity to pay appeared

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30. The program will be concentrated in the rice-growing areas of the Guayas River Basin. Rice is one of Ecuador's most important domestic-consumption crops and in the late 1940s and early 1950s was a major export commodity. For a description of the precarious position of tenant farmers in this area, see Alfonso Avilés, "Land Tenure Structure in the Rice Producing Areas, Guayas River Basin Region," ditto (Quito, 1968).

31. Because of the effects of the new agrarian reform law, it is now estimated that the guaranty provision of the program will affect only 12,000 hectares. Cooperatives obtaining land under the new agrarian reform law, though, would also be eligible for credit and technical assistance.

32. Prices have ranged from S/.600 per cuadra (1.7 acres) for non-irrigated, non-levelled land, to S/.3,000 for irrigated, levelled land. (The current exchange rate is S/.25 = US$1).

to be justified by experience. Thus, there seemed to be a psychological gap which might be bridged by assurance of payment of obligations creditable to potential sellers of land. This gap was easy to bridge by providing a guaranty, backed by an AID loan, to PFIs which had an absolute obligation to pay the seller of the land over a period of five to ten years.

To assure that the landowners' appraisal of the capability of the campesinos was not correct, the project provides a rather elaborate management and control system, based on PERT techniques, under which credit and technical assistance are provided to supply all the inputs necessary for campesinos to operate viable economic enterprises. The "viable economic enterprise" standard is a third characteristic distinguishing this scheme from many traditional agrarian reform projects.[33]

The program works as follows: groups of farmers are organized by cooperative promotion organizations. Subproject development and appraisal is carried out under the general direction of a Ministry of Production[34] coordinator who is responsible to a technical committee composed of representatives of the Central Bank and the Ministry. A number of extensionists from the Ministry of Production (and such other specialists who may be needed) are assigned, on a full-time basis, to the Project Coordinator. The Central Bank also controls revolving funds set up under the AID loan and supervises materials, per diem and other financial requirements of the individuals assigned to the project. A subproject development team, including a representative of the PFI involved in the particular

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33. A similar standard, however, was provided for in Ecuador's 1964 Agrarian Reform and Colonization Law (see above).

34. The Ministry of Production, created in October 1970, comprises most of the former Ministry of Agriculture as well as the artisan and small-business programs of the former Ministry of Industries and Commerce.

project, develops a farm plan for the entire cooperative enterprise which defines the amount of land to be purchased as well as other factors such as credit needs, commodity inputs, and technical assistance. Once approved by the Project Coordinator and the Central Bank, Gerencia de Fondos Fiduciarios, the farm plan is submitted to the technical committee for final approval. If approved, it becomes the operating plan for the cooperative and the organizations providing assistance to it. In almost all cases, cooperative members will work individual plots, though in some cooperatives, a mixture of individual-plot and communal-plot farming will be practiced.

Land is purchased under a three-party arrangement. The seller passes the title to the cooperative; the cooperative agrees to pay the PFI the purchase price of the land over an amortization period of five to ten years as determined in the farm plan; and the PFI agrees to pay the seller of the land over the same period. Thus, if the cooperative maintains its payment contract, the PFI merely passes the payment through to the owner. If the cooperative fails in its obligation to pay, the obligation of the PFI to pay the seller is unaffected and the PFI must realize on the security available or claim against a guaranty fund in the Central Bank.

Agricultural credit operations with the cooperative are handled by the PFIs as a normal agricultural credit operation. Once again defaults are backed by Central Bank guaranties.

Criticisms of the Programa para Promoción de Empresas Agrícolas

The Programa, which involves a mixed government-private attack on land redistribution, has already generated some controversy in the international development community, though it has general support in the Ecuadorian community. Among other objections, it has been suggested that this approach may relieve pressures for the

more drastic agrarian reform which some feel is needed. It has also been said that the terms of the land purchases would impose too heavy a burden on cempesinos, that the program is open to collusion and to payment for land in excess of its value, and that it might tend to create a class of "rich campesinos." Finally, it has been argued that the 1970 agrarian reform law makes the program unnecessary.

The program is not revolutionary in the sense that it does not involve an immediate large-scale redistribution of wealth: landowners are compensated at market prices and payment to them is guaranteed. But the argument of some agrarian reform proponents that this is a mere "real-estate transaction" is shortsighted and ignores the potential long-term effects of such land transiers.[35] Putting land into the hands of campesinos greatly enhances their opportunities to increase their incomes over the long run: as landowners, bank credit is (though still not without some difficulties) available to them and the security of being able to stay on their land increases their willingness to make long-term investments. Private land-sale transactions combined with active participation in cooperatives should also help reduce the dependency mentality among campesinos, many of whom look upon IERAC as simply another patrón who is obligated to do things for them without any initiative on their part.

There is little to support the charge that the Programa damages prospects for a more effective agrarian reform program. If anything, the Programa would tend to complement rather than undercut regular IERAC reform activities whatever

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35. If one defines land reform as "a revolutionary measure which passes power, property and status from one group in the community to another" /Edmundo Flores, "The Economics of Land Reform," International Labour Review (July, 1965), reprinted in part in Charles T. Nisbet, Latin America: Problems in Economic Development (New York, N.Y.:The Free Press, 1969), p. 135/, a strong argument can be made that the Programa is not "land reform." However, the Programa does have an immediate effect on land redistribution as well as potential indirect effects on generating stronger pressures for redistribution through other channels.

level of political support IERAC may have at any given point in time. IERAC's effective participation in project planning for the Programa suggests that its technicians agree with this viewpoint. In the absence of a political environment permitting traditional agrarian reform programs on a nationwide scale, the Programa seems to be preferable to no program at all, first because it does deal with a fraction of the overall land redistribution problem in the country and secondly because it frees some of IERAC's resources for other, more intractable problems.[36] Furthermore, if successful, the Programa may well have the effect of increasing the pressures for a broader-based, traditional agrarian reform program. It can contribute to this objective in two ways: by stimulating campesino interest in and hope for additional agrarian reform measures and by breaking down the solidarity of the landowner class by facilitating sales by individuals who for a variety of personal reasons may wish to sell their lands. As some campesinos actually get land and landowner solidarity is seen to be weakening, others' hopes will be raised and their motivation to demand reforms will be strengthened. More importantly, as landowners begin to see their interest in terms of personal benefits rather than adhesion to class rhetoric, and as they break ranks to participate in the program, others will be willing to follow quickly if the experience of the guaranty system is favorable. Indeed, they may demand that the government expand the program so that more of them may sell without fear of loss.

The program has been criticized for assuming that campesinos will be able to pay for their land in as little as five years, a period which is regarded as much too short. While this is definitely true for the Sierra, where even ten years would generally be insufficient, the situation in the Guayas River Basin

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36. In many parts of Ecuador, particularly in the Sierra, the Programa may not be an effective means of redistributing land. Land prices in the Sierra are much higher than in the Coast, and few landowners wish to sell their land.

is quite different. Field research by AID documented numerous instances of rice farmers paying in rent over only a three-year period what it would have cost them to purchase the land. This suggests that landowners assign a high risk factor to landholding, mainly because of the threat of land invasions. But the low price of land relative to rental payments is probably also a reflection of a low level of effective demand for purchasing land, and the new program can be expected to raise land prices. The size of the initial program is relatively small, though, and the effect on land prices should not be too great. Nevertheless, the anticipated repayment period of 5-10 years may still have to be lengthened if experience indicates that these time periods are too short. If the program is expanded in the future, the effect on land prices almost certainly can be expected to require a lengthening of repayment periods.

Criticisms on the subject of valuation of the land for sale fall into several categories. On one level of analysis it has been argued that no payment at all should be made by campesinos since they have been exploited by landowners for 400 years. Whatever may be the philosophical merits of this argument, adherence to this point of view is not likely to promote the redistribution of land while the present landowners continue to wield considerable political power. Assuming that payment through market channels is to be made, it is recognized that a danger of collusive pricing or gouging exists. However, the program requires a soil classification and land-use survey which should assure consistency of transaction prices with appropriate standards. What is an "appropriate standard" for land pricing, though, is clearly an issue, the resolution of which will have to evolve over time and not be imposed at the outset.

It has been suggested that by requiring a 10 percent downpayment from the purchasing cooperatives the program will tend to limit its benefits to a small group and thus create a class of privileged campesinos and leave unaffected those at the very bottom. It is true that the program aims initially at the most

capable element of the campesinos in the target area, but field experience indicates that even those below the top level will not have too much difficulty in raising the required down payment, and the program should be able to work with these groups once its effectiveness has been demonstrated. Moreover, the campesinos on the Coast generally are better off economically and more open to change than those in the Sierra, for whom the program as it now stands probably is not appropriate. Thus until a meaningful agrarian reform program can be carried out for the Sierra, the Programa para Promoción de Empresas Agrícolas, if successful, may tend to widen the gap between the Sierra and the Coast, if only marginally. This may not be undesirable if it helps encourage migration from the relatively overpopulated Sierra to the relatively underpopulated Coast.

The passage of the 1970 agrarian reform law adds several interesting complications to the situation. If the 1970 law is fully effective, it might have the highly desirable consequence of making inducements to private sale of agricultural land unnecessary. Some of the rice cooperatives which had hoped to participate in the Programa have already negotiated with IERAC to obtain land through the procedures established in the 1970 law. Such cooperatives would nonetheless be eligible to receive credit and technical assistance under the Programa even if land is obtained outside the guaranty system. Where the cadastral valuation of the land is significantly lower than the market price, obtaining land outside the guaranty system is the logical choice. In any event, the project is so structured that the advantage of credit and technical assistance does not force the cooperative to choose between the agrarian reform law without credit and technical assistance on the one hand, or private sale with supporting activities on the other.

It seems doubtful, however, that the 1970 law will be able to accomplish its objectives in a short time period. IERAC's administrative and financial

resources are limited and are likely to remain so in light of the government's fiscal problems, and its bureaucratic shortcomings are notorious. Moreover, it is already clear that landowners' resistance to the 1970 law will be strong. Numerous instances of tenants being evicted have been recorded and IERAC will find it difficult to restore evicted tenants to their former land as provided for in the law. If, in fact, progress is slow under the new law, the market-sale approach would prove to be more attractive both to the large landowners, many of whom are now anxious to sell at a reasonable price before a confiscatiory land reform program does materialize, as well as to the campesinos, who are anxious to obtain their own land at reasonable prices as soon as possible.

Problems relating to cadastral values are providing another incentive for both potential buyers and sellers to use the guaranty mechanism under the Programa. Because of lack of resources, the National Cadastral Office has been unable to establish new cadastral values in the areas affected by the new agrarian reform law. Thus some land is now being transferred to campesinos without a sale price having been established. Landowners will thus receive no payments until the amount of such payments has been determined, and this may not be for several years. Landowners not yet affected by the law may fear that eventually, by default, the present (low) cadastral values may be used. This will strengthen their resistance to the law. Campesinos, on the other hand, may fear that when a new cadastral price is finally established it will take into account any land improvements they have made in the interim. Market sales under the guaranty provision may thus be an alternative preferable to both parties.

It would seem most likely that a useful complementarity between the two programs would evolve. Both land owners and campesinos will have available two alternative routes to land transfer. The possible benefit of lower price to the campesinos under the new agrarian reform law must be balanced against bureaucratic delay and landowner hostility. The burden of perhaps a somewhat higher

price to the campesinos under the Programa might be balanced by rapid action and the benefit of establishing a base for cooperation between larger and smaller farmers in marketing organizations. If indeed the elimination of coercion establishes a base for mutual recognition of the mutual interests of larger and smaller landowners--if the thorn of class warfare in coercive land reform can be drawn, even in only a few instances--then a significant contribution to future social and economic development will have been provided.

Summary

Agrarian reform efforts in Ecuador to date have been very disappointing. Support for agrarian reform has been lacking not only from the government but also from the campesinos, who have tended to express their disatisfaction with existing conditions more through isolated actions such as land invasions than through organized and coordinated political channels. But pressures for agrarian reform have been increasing rapidly, and perhaps only the lack of competent campesino leadership has kept agrarian reform from being a serious political problem.

The initial attempt to carry out a meaningful agrarian reform program was foiled first by a fiscal crisis and then by the ouster of its military sponsors; it also suffered from cumbersome legal procedures. Subsequently, IERAC degenerated into a political football for the politicians and a bad joke for the campesinos. Government interest in agrarian reform was revived in 1970, and a new agrarian reform law was passed, but the effectiveness of this effort will depend upon whether or not additional resources are made available to IERAC.

Meanwhile, the government has also accepted a complementary agrarian-reform scheme, the Programa para Promoción de Empresas Agrícolas, under which credit and technical assistance are made available to campesinos making private

land purchases from landowners, to whom payment is assured. While this program seems feasible only under certain rather favorable conditions, such conditions exist not only in parts of Ecuador but also in other parts of Latin America. Thus the Ecuadorian program is an important test case for a new approach to agrarian reform in Latin America.