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AGENCY FOR INTERNATIONAL DEVELOPMENT

SPRING REVIEW OF LAND REFORM

ECUADOR

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AGRARIAN REFORM IN ECUADOR

I. SUMMARY

In Ecuador, land reform came late, triumphed in principle by military fiat before an effective constituency could develop, enjoyed a brief period of remarkable progress and then was emasculated when its military patrons were overthrown. Without a disciplined political base to resist the opposition of the landowning class and its supporters, land reform could not maintain itself in a constitutional political *ambiente*. In a sense land reform--no less than many of its potential beneficiaries--was a victim of paternalism.

The time span of the land reform movement in Ecuador from first effective political pressure to bureaucratic collapse was strikingly short. As late as 1956, only one presidential candidate, an unsuccessful one, spoke out for the need for agrarian reform. But by the 1960 presidential campaign, every candidate strongly supported the concept of agrarian reform albeit with great differences in approach. The winner, Dr. Velasco Ibarra, named a commission to study agrarian reform problems immediately upon his election and a draft law was submitted to the Congress. Failing immediate passage, the agrarian reform measure was later frustrated by antagonism between the President and the Congress. After Velasco was forced out of office in 1961, various agrarian reform schemes were presented to the new president, Dr. Carlos Julio Arosemena, who, under heavy political pressure, agreed to establish a law of agrarian reform by executive decree prior to August 1963.

A military junta forced Arosemena out of office in July, 1963, and attempted to legitimize its takeover in part on the basis of the need for action on agrarian reform. With the sponsorship of the military dictatorship, the current agrarian reform law was passed on July 1964. For a remarkably productive 18 months the national land reform agency, IERAC, was adequately financed and performed effectively. But when the Junta was overthrown in March, 1966 the decline of IERAC began. Lack of financing and the departure of many qualified technicians followed. Today, IERAC barely functions and has become a political football.

The present government of Ecuador publicly withholds its support from IERAC, claiming that it does not have sufficient control over the institution's activities. IERAC has been deprived of political backing and financial resources, and the disrepute into which it has fallen causes international lending and technical assistance organizations to avoid dealing with it.

Recently the Permanent Legislative Committee (the law-making body which serves between regular sessions of Congress) proposed amendments to the Law of Agrarian Reform and Colonization which, while not designed to fill the law's basic gaps, provide the executive branch of the government with a more direct role in agrarian reform through the Ministry of Agriculture and Livestock. As President Velasco neither vetoed these amendments nor specifically approved them, they automatically became effective on March 24, 1970. At present, a number of organizations representing landowner interests are carrying on a campaign to have these amendments repealed by Congress, or to

maintain the present inoperative status of IERAC, and are receiving, according to many observers, the support of the Minister of Agriculture, who sympathizes with their views.

While land reform presumably will be resuscitated, it is not at all clear what form it will take, where it will operate or whether it will be meaningful or merely cosmetic.

II. PREREFORM PERIOD

A. Introduction: Economic and Political Background

A useful overview of the "Prereform Period" in Ecuador tends toward the present tense. In a narrow sense, little meaningful reform took place and therefore, as a practical matter, Ecuador remains in the "Prereform Period." More important, there really have not been many significant changes between the situation prevailing pre-1964 and the current situation. The prospects for land reform, then as now, are very much a function of the general state of underdevelopment of the agricultural sector as a whole. In an institutionally weak, underdeveloped agricultural sector land reform is a far more difficult undertaking than in a relatively better developed situation. The Ecuadorian experience is a classic example of the intimacy of this relationship. The continuity of this problem is a critical element in understanding the Ecuadorian land reform experience.

1. The Importance of the Agricultural Sector to the Economy

Ecuador is blessed with substantial amounts of fertile land and a generally good climate, although in many areas the lack of an adequate water supply is a problem. Many areas in the coastal

region afford excellent conditions for traditional and potential export crops such as bananas, cocoa, coffee, rubber and African palm. Domestic consumption crops grown in the region include rice, corn, cotton, and a considerable variety of fruits and vegetables. In the Sierra, conditions are generally good for potatoes, corn, barley, wheat, fruits and other crops. Cattle and other livestock can be raised profitably anywhere in the country. The vast Oriente, the tropical forest lands east of the Andes, appears to offer great potential for development but only well into the future.

By any standards, the agricultural sector is the most important element in the Ecuadorian economy and society. Of an estimated 5,900,000 population at least 63% live in rural areas. About 55% of the labor force is engaged in agricultural production, which accounts for about one-third of the gross national product or roughly twice the industrial sector. More than 90% of foreign-exchange earnings comes from products of the agricultural sector. Its importance to the economy lies not only in these relationships but also in the fact that future industrial development in Ecuador will have to be based to a large degree on the processing of agricultural products for export, since Ecuador's small market and low per-capita income greatly limits the amount of import-substituting industrialization that it can successfully undertake.

Unfortunately, the performance of the agricultural sector has rarely been impressive and since 1960 has been quite poor.

The primary reason for Ecuador's failure to achieve the Alliance for Progress goal of a 2.5 percent annual increase in per-capita income has been the stagnation of the agricultural sector. Since 1960 the increase in Ecuador's agricultural production has lagged behind the rate of growth of population.

The problem of generally poor performance in the sector is critical to land reform prospects in several respects. Financial resources available for land reform are limited. Competition for the resources available from politically powerful elements is strong. Economic pressure for production leaves little room for "social experiment" in the minds of those convinced that reform means production loss. Most important, the sector is not well enough serviced, and institutionally not sufficiently mature to absorb difficult land reform operations. The economy and the government do not service even medium and large operators well. A real land reform program would impose an even greater strain on the system. Hence, unless all the costly service and credit inputs are provided independently for a land reform program, it is unlikely to achieve many of its objectives. In short, a more effective institutional structure in the agricultural sector than that which existed in 1964 or exists today must be obtained, if the economic, social and political objectives of land reform are to be achieved in Ecuador.

2. Obstacles to Agricultural Development

This Section will briefly identify what appear to be the critical bottlenecks inhibiting growth and therefore reform. The

USAID wishes to emphasize the "therefore" as it is its conviction that meaningful land reform efforts are conditioned upon structural reform of the sector as a whole.

The condition of the rural population and its demographic trends are, of course, a basic problem of the sector. The 60 percent of Ecuador's population that lives in rural areas participates no less enthusiastically than urban dwellers in the annual 3.4 percent rate of increase in population. Most rural inhabitants live on very small plots of land. Land distribution is extremely unequal. The 1954 Agricultural Census showed that 2 percent of landholdings accounted for 64 percent of the nation's agricultural land while 73 percent of landholdings comprising about 7 percent of the country's agricultural land constituted less than 5 hectares each. The problem of intense concentration of population on the land is particularly acute in the Sierra. For example, in the Sierra provinces of Tungurahua, Chimborazo and Bolívar the 1954 census indicated an average of only 0.6 hectares of agricultural land per rural inhabitant.

The foregoing considerations, along with the lack of access of many rural workers to even minimal technological improvements, result in a serious maldistribution of income in the agricultural sector. A mere 2.3 percent of the active population receives more than a third of the total agricultural income while 80 percent of the active rural population receives less than a third. These figures reflect gross social inequities in themselves. They are

the basic cause as well of other social problems even more politically explosive in nature, such as massive migrations to cities which are wholly incapable of providing employment and services to their already swollen populations.

Much of the country is seriously lacking in infrastructure facilities. Although the Guayas River Basin is well served by primary and secondary roads, this is not true for Manabí and Esmeraldas provinces and most of the Sierra. The problem of roads, however, has been recognized by the Government, and important programs have been carried out during the 1960s.

A very significant need exists for irrigation infrastructure in all parts of Ecuador. Once again the Government has recognized this need, and with domestic resources and assistance from international financing institutions, the problem is being dealt with rationally but as yet not extensively. The lack of electrification in rural areas continues to be a serious obstacle to development.

The institutional structure of agricultural development in Ecuador leaves a great deal to be desired, even taking into account the lack of financial support from the central government. The Ministry of Agriculture has a large and competently staffed, although largely immobile, extension service. There are several semiautonomous and autonomous agencies which range widely in competence and impact. For example, the National Agriculture and Livestock Research Institute (INIAP) is technically competent but research results do not reach the farmer because of deficiencies

in the Extension Service Program. The crop-oriented semiautonomous organizations such as the National Banana Directorate, the National Wheat Commission and the National Rice Commission appear to represent primarily the interests of major producers. The Banco Nacional de Fomento, (BNF) the major source of credit for the agricultural sector, has not been known for its responsiveness to the needs of small farmers.

Such institutional limitations are fully reflected at the level of farming operations. The use of modern farm inputs at all levels of Ecuadorian agriculture is quite low. The reasons for this are the lack of availability of improved seed of high-yielding varieties, the lack of marketing outlets for commodities, the lack of technical assistance to demonstrate and instruct farmers in the proper use of modern technological inputs and, most important for all except the biggest farmers, the lack of agricultural credit.

Of all the difficulties existing in the Ecuadorian agricultural sector, the absence of effective agricultural credit clearly is the most basic and most critical. The difficulty is both structural and quantitative in nature. Structurally, the BNF is the only institution maintaining a major agricultural sector financing operation. Interest rates have been structured in such a fashion that private banking resources are not available in large quantities for agricultural financing. The efforts of the Government to force private banks to make certain percentages of their resources available for agricultural financing have not been effectively carried

out. Lacking private incentive and effective public compulsion, the agricultural sector has simply been starved for financing.

The consequence of the structural deficiencies in agricultural financing is a quantitative gap between supply and demand of agricultural financing estimated at a minimum of $10 million just at existing levels of technology. If one speaks not in terms of immediate effective demand but rather in terms of credit requirements for introducing a substantial improvement in agricultural technology in the country, the estimate of agricultural credit needs soars to over $100 million.

The structure of agricultural marketing in Ecuador is characterized by serious deficiencies at every turn. Unified systems of weights and measures and of grades and standards do not exist. Storage facilities, apart from those controlled by processors, are in extremely short supply and on-farm storage facilities are generally not available. Given the absence of bonded warehouse facilities, commodity financing is not available to the farmer. As a consequence of the foregoing, the middleman and the processor are extremely powerful forces in agricultural marketing. The position of these individuals is regularly translated into the substantial economic disadvantage of the producer, particularly, of course, the small producer. To date, Government interventions in the marketing process in the form of price controls and commodity trading have been of political but not of economic benefit.

3. Effects of Agricultural Underdevelopment on Land Reform Activities

It is in the context of all the foregoing that any land reform program must be carried out. The simple truth is that in Ecuador, with few exceptions, everyone in the agricultural sector, big or small, is to some degree exploited and inadequately served not only by the public sector but also by the private market mechanism. Inevitably, the demands, which generally are legitimate demands, of the better organized medium and larger farmers are responded to first by the Government. The smaller farmers, and particularly the Sierra Indians, have not been able to organize themselves in such a fashion to bring pressure on the Government for land reform, or for that matter for any other kind of service from the national government. The reasons for this are, of course, rooted in centuries of repression dating back to the Inca empire and perhaps before.

In consequence, the land reform movement, when it finally started, was lacking in just about all of the things needed to allow it to take hold in the sociopolitical structure of the country. Not only did it lack an effective constituency; it also lacked a self-aware, cohesive group of the population from which such a constituency could spring. It lacked an institutional structure in the agricultural sector that could absorb the strains of the additional goods and services required to carry out a land reform program. It lacked an economy sufficiently productive to generate significant surpluses which could be conveniently distributed to meet the social demands for reform. And finally,

it lacked effective middle-class support because of its association with an unpopular military junta.

4. Geographic Considerations

The outline asks that we address ourselves to the question of what principal geographic areas of the country were destined for reform. The answer is that the program envisioned activities in all parts of the country, with specific projects often being undertaken on an ad hoc basis due to pressures from, or favorable circumstances in, individual communities. One suspects that the government land reform program, when it finally is resuscitated, will probably continue to follow an opportunity strategy. Expropriation of lands in the coastal region may well go on, although the political opposition has to date proven itself to be very effective indeed. In the Sierra, there are large numbers of government and church-owned haciendas which, if utilized for land reform purposes, would probably keep even an efficient land reform organization at work for quite a while. Presumably, some if not all of these areas would eventually be parceled out.

The Oriente offers the prospect of vast unused lands, some of which may be fertile. One suspects that the political strength of the landowning class being what it is, there will be a great deal of pressure for the Government to enter into major colonization schemes rather than to work in the already developed agricultural areas. The problem here, assuming adequately fertile lands are available, is one of cost. There are major infrastructure

investments to be made before significant amounts of these lands can be opened, let alone developed. In this connection, an interesting opportunity is presented by the roads being cut by Texaco-Gulf into the Oriente to capitalize on the vast oil resources of that section. The Government, as a condition of the agreement with the oil companies, has required the oil consortium to cut several roads into the Oriente. This has already resulted in some spontaenous colonization and presumably will lead to a great deal more. Guided colonization efforts in this area could be an important opportunity for land reform. In certain valleys of the Oriente near the Sierra certain private colonization activities have had impressive though necessarily quite limited results.

Thus, it would seem that land reform could take place just about anywhere in Ecuador depending upon the political climate and the availability of resources at any given time.

B. Land Tenure Structure

1. Characteristics

The Agricultural Census of 1954 indicates that land tenure structure in the two principal geographic regions of Ecuador, the Sierra and the coast, is characterized by traditional systems of tenancy and land use, many of which are the result of the socio-economic institutions established during the Spanish colonial period.

The social and economic conditions resulting from the systems of land tenure of that time led to stagnation in agriculture, and

prevented modernization in the political, cultural and economic life of the agricultural population. As a consequence of this traditional system, agricultural productivity per man and per hectare is very low; most of the rural population has practically no money income, and political power in the agricultural sector is in the hands of the landowners.

The following four tables indicate some of the quantitative characteristics of land tenancy as of 1954.

TABLE A

LAND DISTRIBUTION BY SIZE OF FARM

Size of Farm	Number	%	Area in Hectares	%
Less than 1 Ha.	92,387	26.8	46,000	0.8
From 1.0 to 4.9 Ha.	159,299	46.3	386,200	6.4
From 5.0 to 9.9 Ha.	36,250	10.5	271,500	4.5
From 10.0 to 19.9 Ha.	21,400	6.2	294,300	4.9
From 20.0 to 49.9 Ha.	19,415	5.6	591,500	9.9
From 50.0 to 99.9 Ha.	8,327	2.4	547,200	9.1
From 100.0 to 199.9 Ha.	3,452	1.0	462,900	7.7
From 200.0 to 499.9 Ha.	2,335	0.7	693,400	11.6
More than 500 Ha.	1,369	0.4	2,706,700	45.1
GRAND TOTAL	344,234	100.0	5,999,700	100.0

SOURCE: Agricultural Census - 1954.

TABLE B

LAND DISTRIBUTION BY TYPE OF MANAGEMENT ARRANGEMENT

- Area in 1,000 Has. -

	Type of Management			
	Direct		Nondirect	
Size of Farms	Farms	Area	Farms	Area
Total	233,900	4,889.4	110,334	1,110.3
Less than 1.0 Ha.	73,688	35.1	18,699	10.9
From 1.0 to 4.9 Ha.	92,509	223.1	66,790	163.1
From 5.0 to 9.9 Ha.	23,388	182.3	12,862	89.2
From 10.0 to 19.9 Ha.	15,288	212.0	6,112	82.3
From 20.0 to 49.9 Ha.	15,920	491.0	3,495	100.5
From 50.0 to 99.9 Ha.	6,871	454.0	1,456	93.2
From 100.0 to 499.9 Ha.	5,065	1,008.7	722	147.6
More than 500.0 Has.	1,171	2,283.2	198	423.5

SOURCE: Agricultural Census - 1954.

TABLE C

LAND DISTRIBUTION BY TYPE OF TENURE

Type	Farms	%	1,000 Has.	%
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 (see note, following page)	19,747	5.7	60.8	1.0
Communers (workers of agricultural lands belonging to the indigenous community)	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
	344,234	100.0	5,999.7	100.0

TABLE D

CAPACITY OF FARMS TO SUPPORT FAMILY UNITS, 1960

Type of Farm	No. of Family Units	Percentage of Total
Sub-family*	383,700**	87.2
Family	45,600	10.4
Medium Multi-family	9,300	2.1
Large Multi-family	1,400	0.3
	440,000	100.0

* "...insufficient land to provide full and productive employment, using normal labor practices, to a family whose work capacity is equivalent to two man-years." (p.15 of Source).

** Includes 95,800 landless laborers.

SOURCE: Comité Interamericano de Desarrollo Agrícola (CIDA), Tenencia de la Tierra y Desarrollo Socio-Económico del Sector Agrícola - Ecuador. Washington, D.C.: Unión Panamericana, 1965.

A comparison of tables A and B shows that large farms (over 500 hectares) represented 0.4% of all of the farms in the country, in 1954 and that 1,171 or 85.5% of the 1,369 farms of this size were managed by their owners. On the other hand, 166,197 or 66% of the total 251,686 small (less than five hectares) farms were operated by their owners. These small farms represented 73.1% of all the farms in the country. Table C shows that 110,334 or 29.1% of the total farms in the country were subject to the precarious tenancy of sharecroppers, renters, huasipungueros,* and

* Derived from huasipungaje, meaning a traditional system whereby entailed tenant farmers (huasipungueros) are required (as of

others. The land in these productive units belongs to absentees who offer the use of it to the landless tenants in exchange for the following: rent from the renters; one half of the total produce from the sharecroppers; cheap labor and other services from the huasipungueros; and rent in the form of produce in the case of rice growers, who are included under the heading "other simple leaseholders".

The vast majority of farms in Ecuador are too small to provide full and productive employment to a family unit. The 1965 CIDA study** estimated that in 1960, 87.2 percent of all farm units were subfamily units. (See Table D.)

2. Changes

Before 1964, the land tenancy situation in the Sierra was largely static. Over time, farms tended to become smaller because

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1965, no longer by law) to perform from four to six days' labor a week for the landowner, either for pay at about half the free-labor rate or for the use of a small subsistence plot (huasipungo) and at least one other privilege, such as gathering firewood or pasturing animals on the landowner's estate. The number of huasipungueros was once much larger, and many ex-huasipungueros now own their own plots. However, since these plots are very small and almost no credit or technical assistance is available, the ex-huasipungueros are no better off, as a group, than they were as huasipungueros. Thus, when people speak of the huasipunguero problem now, they sometimes really mean the minifundio problem in general.

** Comité Interamericano de Desarrollo Agrícola (CIDA), Tenencia de la Tierra y Desarrollo Socioeconómico del Sector Agrícola - Ecuador. Washington, D.C.: Unión Panamericana, 1965.

of divisions between heirs of the larger estates. Nevertheless, all the forms of land tenancy still existed side by side: owners, renters, subrenters, huasipungueros, sharecroppers, people with pasturage rights and workers with only a plot for a house.

The land tenancy system was much less static in the coastal region, especially after the 1930s, when epidemics of malaria and other tropical diseases which had slowed the development of population centers and agricultural production were brought under control. A freer movement of money out of land and into commerce and industry, especially near the more populated centers, has characterized the situation in the coastal region. But in general, there was little change facilitating land ownership by small holders. Hence, "reform mongers" were not faced with a situation in which they could capitalize on existing pressures. To the contrary, it seems that the failure of the land reform effort has led to frustrations and threats of land invasion and violence which, for the first time, have created an atmosphere favorable to some form of land reform activity.

C. Land Resource Information

1. Land Availability

The following table shows total land available in the coastal region and the Sierra:

TYPES OF LAND BY REGION /EXCLUDING THE ORIENTE/

Type of Land	REGIONS COAST 1000 Has.	%	INTERANDEAN 1000 Has.	%	ANDEAN SLOPES 1000 Has.	%	TOTAL 1000 Has.	%
Suitable for Agriculture (crops & pastures)	4,128	56.2	1,361	33.0	1,714	25.3	7,203	39.5
Artificial Forests	498	6.8	1,749	42.4	38	0.6	2,285	12.5
Natural Forests	2,531	34.5	118	2.8	5,002	73.8	7,641	42.0
Unproductive Land	181	2.5	898	21.8	22	0.3	1,101	6.0
	7,338	100.0	4,126	100.0	6,776	100.0	18,240	100.0

SOURCE: CIDA, Cuadro I-3, p.8.

Land use as of 1954 is reflected in the following table. Unfortunately, the data are not directly comparable with the data on land availability because different statistical classifications were used.

LAND USE IN THE SIERRA AND COAST (15 PROVINCES), 1954

Category of Land Use	Sierra 1000 Has.	%	Coast 1000 Has.	%	Total 1000 Has.	%
Included in 1954 Census	3,020	46.3	2,980	44.9	6,000	45.6
Crops, Artificial Pastures, & Fallow Agric. Land	847	13.0	1,234	18.6	2,081	15.8
Natural Pastures	955	14.6	300	4.5	1,255	9.6
Forests	448	6.9	688	10.4	1,136	8.6
Unproductive Land	770	11.8	758	11.4	1,528	11.6

Category of Land Use	Sierra 1000 Has.	Sierra %	Coast 1000 Has.	Coast %	Total 1000 Has.	Total %
Not Included in 1954 Census	3,500	53.7	3,655	55.1	7,155	54.4
Total, 15 Provinces	6,520	100.0	6,635	100.0	13,155	100.0

SOURCE: CIDA, Cuadro I-4, p. 9.

With regard to the quantity of arable land available for spontaneous or planned colonization, the 1963 General Plan for Economic and Social Development estimated that the country had 18.6 million hectares located in its three major geographic regions, not including the Galápagos Islands. The distribution by geographic region is given in the following table:

ESTIMATED ARABLE UNTILLED LAND AVAILABLE FOR COLONIZATION

Geographical Region	Area (1000 Has.)	%
Andean	407.0	2.1
Coastal Plain	698.0	3.7
Eastern Plain	17,500.0	94.2
TOTAL	18,605.0	100.0

SOURCE: Plan General de Desarrollo Económico y Social, Book No, 6 - Chapter II - Colonization.

Of the total available lands mentioned in this table, 94.2% were lands available for colonization in the Oriente, which still largely lacks the network of roads needed to make it accessible.

On the other hand, the lands in the western plain and the inter-Andean valleys, which represent only 5.8% of the total available, have primary roads. They require only secondary penetration roads to be opened.

As of 1960, it was theoretically possible for every person actively engaged in agriculture in Ecuador to have an average holding of 32 hectares as illustrated in the following table.

ARABLE LAND AVAILABLE PER PERSON, 1960

Regions	Ocuppied Area	Empty Area	Total Area	Agriculturally Active Population	Land Available Per person (Has.)
Total Republic	6,100.0	18,600.0	24,700.0	775.7	31.8
Andean	3,030.0	400.0	3,430.0	452.9	7.6
Coastal	3,000.0	700.0	3,700.0	302.5	12.2
Eastern	70.0	17,500.0	17,570.0	20.3	865.5

SOURCE: Estimates of the National Planning Board - 1963.

2. Classification

The National Colonization Institute founded in 1957 was responsible for surveying and distributing unused lands or lands owned by the State. It carried out some very brief studies concerning the soil and water resources of the lands which it made available, and attempted to estimate the agricultural potential of these lands. In general, its assessment of the agricultural value of lands was limited to small areas for colonization efforts. No over-all evaluation of the agricultural merits of possible areas for agrarian reform and colonization was made.

3. Identification and Titling

Very little cadastral information of any sort is available in Ecuador. Municipal authorities maintain lists of landowners with self-assessed valuations. In a few instances, the actual area of the lands is known. These lists, somewhat erroneously called Catastros de Predios Rurales, are used by the officials of each canton as a basis for collecting property taxes, and are of little value for agricultural planning.

All of the political or constitutional charters of Ecuador have guaranteed property rights, and the legal basis and procedures relative to private landownership are stipulated in the Ecuadorian Civil Code. Land sales and disputes about ownership are settled by duly established courts.

From 1936 to 1964 the rules concerning titling and the granting of unused public lands were those contained in the Law of Lands (Ley de Tierras).

Enforcement of the Law was the responsibility of the Lands Department, which at first was a part of the Ministry of Social Welfare and later was transferred to the Ministry of Agriculture. This Department was made a part of the National Colonization Institute when the latter was created in 1957. In 1964 the National Colonization Institute was replaced by the Ecuadorian Institute of Agrarian Reform and Colonization (IERAC) which included a Department of Unused Public Lands. Since 1936 the Lands Department has been in charge of granting titles to unused public lands to all of the people or legal entities which have asked for them for agricultural purposes.

D. Rural Production and Productivity

From 1950 to 1960, the agricultural sector grew at an average annual rate of 4.4 percent, compared with a rate of increase of 4.9 percent for the total Gross Domestic Product. With population growing at 3.0 percent annually, the average annual increase in agricultural production per capita was 1.4 percent. For the period as a whole, agriculture's contribution to the GDP averaged 37.7 percent.

TABLE A

IMPORTANCE OF THE PRIMARY SECTOR IN THE GROSS DOMESTIC PRODUCT AT FACTOR COST
(Millions of Sucres, Current Prices)

ectors	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
griculture, Forestry & Fishing	2,565	2,704	3,327	3,388	3,671	3,598	3,756	3,936	4,005	4,250	4,731
of Total	38.8	38.8	41.2	40.2	38.9	36.1	36.9	36.5	35.9	36.1	36.8
ther Sectors	4,046	3,989	4,750	5,099	5,755	6,373	6,427	6,839	7,154	7,519	8,124
. D. P.	6,611	6,963	8,077	8,437	9,426	9,971	10,183	10,775	11,159	11,769	12,855

OURCE: Banco Central del Ecuador, Memorias Anuales.

The agricultural sector, in addition to meeting the domestic demand for food, except for certain products such as wheat, vegetable oils, tobacco and animal fats, exerted considerable influence on the balance of payments through the exportation of bananas, coffee, cacao, sugar, etc. In 1950 it accounted for 70% of the country's total exports, and in 1960 for 92.3%.

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Adequate data on the degree of diversification of agriculture are not available, but a few observations may be made. Clearly there are deficiencies in the production of high protein crops and livestock. In certain areas, such as the rice-growing regions of the coast, some diversification would be highly desirable. Diversification to alleviate the dependency on bananas, coffee and cacao as the primary exports of Ecuador is necessary. But generally diversification is not a serious problem at the farm level nor in the sector as a whole.

Productivity statistics by fields of activity indicate a low level of productivity per employed worker in agriculture compared with other sectors of economic activity. The following table shows, for example, that productivity in agriculture in 1960 was only 57 percent of productivity in manufacturing, 51 percent of productivity in construction, and 29 percent of productivity in commerce.

TABLE B

PRODUCTIVITY BY SECTORS OF ACTIVITY
(1966 sucres)

	Value Added per Employed Worker		
Sectors	1950	1955	1960
Agriculture	6,191	6,467	7,248
Mining	45,400	66,596	98,000
Manufacturing	10,466	11,077	12,660
Construction	10,254	11,691	14,305
Power	46,364	61,304	47,750
Commerce	17,172	23,342	25,000
Transportation	17,518	19,729	17,250
Services	14,847	15,801	15,916

SOURCE: National Planning Board.

With regard to the distribution of agricultural production according to the size of the farm, the agricultural census of 1954 indicated that farms of less than 10 hectares accounted for 25.6 percent of the total volume of production, while farms of between 10 and 100 hectares accounted for an additional 40.7 percent.

TABLE C

PERCENT DISTRIBUTION OF AGRICULTURAL PRODUCTION BY SIZE OF FARM AND REGIONS
(Total Production in 1,000 Sucres)

Size of Farm	Total Production	%	Regions: Andean Region	Regions: Coastal Plain
Less than 1 Ha.	52,274.1	1.6	3.6	0.7
1 to 4.9 Ha.	478,271.7	14.2	25.3	9.5
5 to 9.9 Ha.	327,775.2	9.8	11.4	9.1
10 to 19.9 Ha.	363,165.6	10.8	10.0	11.2
20 to 49.9 Ha.	593,871.5	17.7	12.0	20.1
50 to 99.9 Ha.	409,799.5	12.2	11.0	12.7
100 to 199.9 Ha.	282,395.7	8.4	6.6	9.2
200 to 499.9 Ha.	297,235.7	8.9	7.5	9.5
500 to 999.9 Ha.	147,873.9	4.4	4.7	4.3
1,000 to 2,499.9 Ha.	161,681.1	4.8	4.1	5.1
2,500 or more	240,150.4	7.2	3.8	8.6
	3,354,494.4	100.0	100.0	100.0

SOURCE: Agricultural Census - 1954.

Farm size as related to distribution of production of bananas, the primary export crop, is reflected in the following table:

Category of Farm	Farm Units No.	Farm Units %	Area Under cultivation Has.	Area Under cultivation %
1. Family (up to 25 has.)	871	47.9	11,024	10.9
2. Medium (26 - 100 has.)	740	40.7	38,559	38.1
3. Large (101 - 500 has.)	192	10.5	36,606	36.2
4. Semi-Industrial (501 - 1000 has.)	11	0.6	7,701	7.6
5. Industrial (more than 1000 has.)	5	0.3	7,313	7.2
	1,819	100.0	101,203	100.0

SOURCE: CIDA, Cuadro III-29, p. 412.

No similar data are available for other crops, but in general coffee and cacao are grown by small and medium farmers with very few large-scale plantings, while sugar is almost all grown on large plantations.

In terms of productivity, value of production per hectare by small farms is considerably greater than that of large farms. The following table shows that there is a clear and strong inverse relationship between size of farm and productivity per hectare. There is no reason to believe that this situation has changed significantly since 1954.

TABLE D

PRODUCTION PER HECTARE BY SIZE OF FARM, 1954

(in sucres)

Size of Farm	Total No. of Hectares	Value of Production	Production per Hectare
Less than 1 Ha.	46,000	52,274,100	1,136
1.0 - 4.9 Has.	386,200	478,271,700	1,238
5.0 - 9.9 Has.	271,500	327,775,200	1,207
10.0 - 19.9 Has.	294,300	363,165,600	1,234
20.0 - 49.9 Has.	591,500	593,871,500	1,004
50.0 - 99.9 Has.	547,200	409,799,500	749
100.0 - 199.9 Has.	462,900	282,395,700	610
200.0 - 499.9 Has.	693,400	297,235,700	429
500 Has. and over	2,706,700	549,705,400	203
	5,999,700	3,354,494,400	559 (avg.)

SOURCE: Agricultural Census - 1954.

E. Rural Population, Employment and Underemployment

In 1962, two years before the start of the agrarian reform program, the total population of Ecuador was estimated to be 4,476,000, of which 3,069,064 or 65% was rural. The average rate of increase in the rural population was estimated to be 2.25% annually. In 1962 the total number of employed inhabitants throughout the country was 1,477,851, of which 830,578 or 56.2% of the total working population

were in the agricultural sector. Underemployment is presumably relatively high, but no useful data are available on the subject.

There is a substantial migratory movement from rural to urban areas. Studies carried out by the Planning Board in 1960 showed that the migratory movement originating in rural areas, both in the Sierra and the coastal region, was directed towards the large urban centers of the provinces of Guayas (Guayaquil), Pichincha (Quito), Imbabura, and Bolívar, and towards the Oriente.

The studies show that the principal causes of migration, both permanent and seasonal or temporary, are: (a) the poverty of the soil in the Andean region; (b) severe population pressures in this region; (c) the low rate of economic development in rural areas; (d) the unsatisfactory distribution of land; (e) the low rate of agricultural productivity; (f) the unemployment resulting from the loss of export markets; (g) the lack of educational facilities in rural areas; (h) compulsory military service; (i) low income levels and low standard of living.

Migration from the country to cities has increased the social problems of the urban centers, which do not have the capacity to absorb such rapid increases in population into productive employment activities. Migration could be reduced substantially, if the technical and financial inputs were made available to effect a transformation of the agricultural sector into a modernized branch of activity that would provide a significant number of rural employment opportunities.

F. Income Distribution

Income distribution data for Ecuador are quite scarce. The following paragraphs include all the useful material available, which does not, unfortunately, provide all of the information requested, particularly comparative data on the urban sector.

Estimates of agricultural income in Ecuador for the year 1965 were recently prepared by the Economic Commission for Latin America (ECLA). According to these data, agricultural income per economically active person in that year was S/9,100 (US$506). The distribution by decile was as follows:

INCOME DISTRIBUTION IN THE AGRICULTURAL SECTOR, 1965

Decile	Income of Group (millions of sucres)	% 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
Eight	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: ECLA, El Segundo Decenio de las Naciones Unidas para el Desarrollo--El Desarrollo Agrícola en América Latina, Document No. E/CN. 121829 (1969?). Cited in Junta Nacional de Planificación y Coordinación Económica, El Desarrollo del Ecuador, 1970-1973. Libro Segundo, Tomo I, Programas para el Desarrollo, p. A1-12.

By socioeconomic strata (subsistence, middle-income, and high-income farmfamilies), the distribution was estimated to be as follows:

Socioeconomic Strata	Active Population Thousands of Persons	Agricultural Income Total Percent	Agricultural Income Total Millions of sucres	Agricultural Income Percent	Agricultural Income Income per Active Persons (sucres)
Subsistence	752.0	80.0	2,530.8	29.6	3,365
Middle-Income	166.4	17.7	3,052.8	35.7	18,346
High-Income	21.6	2.3	2,970.0	34.7	137,500
Totals	940.0	100.0	8,553.6	100.0	9,100 (avg.)

SOURCE: El Desarrollo del Ecuador, Libro Segundo, Tomo I, p. A1-13.

G. Supplementary Services and Supplies

1. Information

Prior to the agrarian reform law of 1964, agricultural research was carried out by the Inter-American Agricultural Cooperative Service (SCIA), mainly on the coast with export crops: cacao, bananas, coffee, etc. In 1962, when SCIA was terminated in Ecuador, the National Agricultural Research Agency (INIAP) was established. Almost immediately this agency established a research station in the Sierra for highland crops. Before this the only research done in the Sierra was that which the National Wheat Commission carried out with wheat. Thus, INIAP had little more than a year of investigative experience with highland crops before the land reform law was enacted.

But when the law was enacted some improved varieties of wheat were immediately available and improved varieties of corn and potatoes became available shortly thereafter.

The National Extension Service was very understaffed, and was not an influential unit within the Ministry of Agriculture. Probably about as many people were engaged in work related to the improvement of crops as in educational work. Furthermore, the extension agent's clientele was the small group of medium-sized farmers, precisely those who would not be affected by the new agrarian reform law. The great majority of this clientele was literate (about 80%), but literacy was not widespread among potential reform beneficiaries. Mass media were not used for extension purposes, and extension agents were not trained in the creative use of mass media. Other data requested are not available.

2. Credit

The table provided below presents data on the amount of bank credit granted to the agricultural sector for the years 1950 to 1968. These figures show that there was a long period of stagnation in bank credit to the agricultural sector lasting through 1963 (the immediate prereform period). Agricultural credit in the period 1950-63 increased at an average annual rate of only 0.5% in money terms compared with an increase in total bank credit of 7.4%. In real terms agricultural credit declined by 1.8% annually. Over the same period the proportion of total bank credit received by the agricultural sector fell from 21.9% to 9.2%.

BANK CREDIT TO THE AGRICULTURAL SECTOR, 1950-68

(Millions of sucres, current price)

	Agricultural Credit by Type of Banking Institution				Total Bank Credit	Agric. Credit as a % of Total Bank Credit
	Banco Ncl. de Fomento	Central Bank 1/	Private Banks	Total		
1950	192.1	154.8	31.3	378.2	1,723.3	21.9
1951	161.3	149.9	20.2	331.4	1,924.7	17.2
1952	186.8	39.0	20.5	246.3	2,049.7	12.0
1953	195.0	23.3	31.2	249.5	2,218.9	11.2
1954	199.7	27.2	45.3	272.2	2,462.2	11.1
1955	260.6	36.1	53.2	349.9	2,823.6	12.4
1956	253.7	44.4	51.9	350.0	3,030.9	11.5
1957	301.6	36.8	67.7	406.1	3,383.5	12.0
1958	265.6	58.9	83.5	408.0	3,246.4	12.6
1959	189.5	40.0	93.6	323.1	3,281.1	9.8
1960	188.8	36.3	109.1	334.2	3,682.1	9.1
1961	234.2	114.2	102.5	450.9	4,044.2	11.1
1962	183.9	108.5	93.9	386.3	4,009.0	9.6
1963	201.9	104.4	98.8	405.1	4,382.6	9.2
1964	246.9	101.0	161.2	509.1	6,275.0	8.1
1965	253.4	133.1	344.0	730.5	6,292.8	11.6
1966	304.8	153.2	482.4	940.4	6,487.0	14.5
1967	354.0	186.3	469.8	1,010.1	7,592.0	13.3
1968	438.9	148.1	481.4	1,068.4	8,984.5	11.9

1/ Direct credit by the Central Bank. Excluded are Central Bank credit to banking institutions, Central Bank credit for future exports, and utilization by the government of overdrafts on the Central Bank.

SOURCE: Banco Central del Ecuador, Boletines Mensuales.

From 1963 to 1968 bank credit to agriculture seems to have risen rapidly by 21.4% annually in money terms and 16.7% in real terms, with the percentage of total loans going to the agricultural sector having increased from 9.2% to 11.9%. There are, however, serious problems with the classification of loans by the private sector which accounted

for most of the 1963-68 increase in agricultural credit. Article 113 of the Agrarian Reform and Colonization Law of 1964 obliged private banks to grant credit to the agricultural sector in an amount equal to at least 15% of the value of their sight and term deposits. Many banks met this requirement by simply reclassifying nonagricultural loans as agricultural. Many loans classified as "agricultural" are merely loans guaranteed by agricultural property or commodities and are not used for agricultural purposes. Thus, although there is reason to believe that legitimate agricultural credit has been increasing at a more rapid rate since 1963, the increase is probably considerably less than is indicated by the data.

Even if the figures for the period 1964-68 were accepted as an accurate representation of the actual volume of agricultural lending, they would still show at present a very low and inadequate level of agricultural credit. Moreover, almost all the legitimate agricultural credit granted by the private banks and the Central Bank is short-term credit. The situation in the period 1950-63, therefore, would represent an even more serious problem, since there is universal agreement that the amount of credit that could be effectively used by Ecuadorian farmers at the present time, could be substantially increased.

Before 1964 as well as after the agricultural credit gap was most serious in the area of short-term, relatively small loans to small and medium farmers who could not obtain commercial bank credit. The reason for this is that ownership of land has been a prerequisite for virtually all commercial bank credit. Thus most small Ecuadorian

farmers who generally do not have clear titles have no access to this form of credit. Even for those small and medium farmers who had land titles and for commercially viable farmers, the bank credit available was, and still is, insufficient to meet their demand. Most agricultural credit from private commercial banks is granted to large farm units. The resources available to the Banco Nacional de Fomento (BNF), the major public-sector agricultural lending institution in Ecuador, were extremely inadequate, as the data in the table above indicate. The BNF, like the private commercial banks, has traditionally been reluctant to lend to small and even medium farmers, and to date still has great problems in reaching them. Also, the BNF excludes those farmers without clear land titles, who constitute the majority of Ecuadorian farmers.

Given the low level of bank credit available for the agricultural sector and the almost complete exclusion of the majority of farmers in the Ecuadorian agricultural sector from access to bank credit, the noninstitutional credit market has played a large and important role. A recent survey financed by AID found that noninstitutional credit suppliers (village moneylenders, merchants, landlords, friends, relatives, etc.) were providing service to approximately 45% of all farmers using credit, and the majority of these farmers were found at the lower socioeconomic level. (Source: John N. Stitzlein, The Characteristics and Significance of the Noninstitutional Credit Market in Rural Ecuador, 1967.) Loans from these noninstitutional

credit suppliers averaged S/800 ($40) and carried an average interest rate of around 26%. On the other hand, bank credit averaged S/8,000 per loan with interest rates averaging between 8% and 18%.*

It may be concluded from the above information that the level of agricultural credit in the prereform period was extremely low. What little credit did exist reached the larger farm units. There were serious shortages in the amount of credit for small and medium farmers, and the majority of the rural population without clear title to their land were excluded from institutionalized credit. In this case the noninstitutional credit market played a large role for the majority of small and medium farmers in the Ecuadorian agricultural sector.

3. Supplies

The activities carried out by the Agricultural Research Institute (INIAP-founded July 13, 1959) have had a noticeable influence on the agricultural and livestock raising sectors of Ecuador. In the highland farming areas INIAP's work in the adapting and improvement of seeds for such crops as wheat, potatoes, barley, corn and feed grass has produced important changes in production systems, since farmers who use improved seeds usually become convinced of the advantage of investing in fertilizers, weed killers, machinery, etc.

In the coastal region improved varieties of corn, cacao, tropical feed grass, African palm, short-cycle oil crops and other crops have been developed, and interesting experiments have been made in swine raising and cattle feeding.

* John N. Stitzlein, The Characteristics and Significance of the Noninstitutional Credit Market in Rural Ecuador, AFC Research Publication No. 117 (Columbus, Ohio: The Ohio State Univ., Depart. of Agricultural Economics and Rural Sociology, Agricultural Finance Center, December 1967).

Farmers address their requests for assistance directly to INIAP. INIAP establishes a priority listing of farmers who ask for improved seeds and distributes its seeds according to this listing, since its supply is insufficient to meet the demand. For this reason it must be said that the number of farmers benefiting from INIAP's work is limited.

With regard to other inputs such as fertilizers and insecticides the demand is met by a fertilizer-producing firm called FERTISA which is protected by the Industrial Development Law (Ley de Fomento Industrial - enacted January 2, 1965, and superseding the Industrial Development Law enacted August 9, 1962). Private enterprise has been quite active in promoting the use of pesticides, herbicides, etc.

A major limiting factor in agricultural development has been insufficient mechanization, again attributable to a lack of capital.

4. Infrastructure

Land reform has pursued, and in all likelihood will continue to pursue, a target of opportunity strategy. One cannot define then or now areas "destined for" or "facing" reform. One must therefore consider the infrastructure problem of the agricultural sector as a whole.

One significant change in Ecuador between 1964 and today is the vast improvement in primary roads. An internationally financed highway system now serves most of the Guayas river basin and a good part of the Sierra with important consequences for marketing opportunities. The secondary road system remains poor in most

areas. In the "prereform" period the central government occasionally provided some assistance in roadbuilding to agrarian communities, especially in the coastal region when the profitability of banana cultivation became evident. But in general, secondary road infrastructure is an obstacle in the sector.

Organized irrigation in Ecuador began in 1944 with the establishment of the National Irrigation Agency. At that time a comprehensive program of irrigation was proposed, but the National Irrigation Agency, a highly competent organization,has been able to carry out only limited programs because of funding limitations. Its responsibility is to plan and execute major works leaving construction of distribution canals to the landowners who have not planned and executed integrated schemes for water use.

5. Crop Procurement and Marketing

Before 1964 as now large farmers usually marketed their surpluses in the main market centers. Potatoes were sold unharvested to middlemen who would contract laborers to harvest them and subsequently sell them in a major market. Small farmers marketed their small surpluses almost exclusively through middlemen. They had no experience in central market sales; nor did they have the volume to justify entrance. Each area had a great number of middlemen, and the large farmer could find a fairly good selection of bidders for his crop. The number of bidders was greatly reduced for the small farmer with a small surplus, especially if he was somewhat isolated from the main raods. Prices varied

greatly for the main highland crops, with the exception of wheat, which, being a deficit crop in Ecuador, had a stabilized price. Nevertheless, the small farmer who could not get his crop to a mill paying the official price had no alternative to accepting the middlemen's offer. No reliable data are available concerning the type or degree of control exercised in the food marketing chain.

There was no meaningful official impact on agricultural prices either through procurement or price control. Efforts to market crop surpluses involved very little collective or cooperative activity. The large farmers did not need anybody else's help and the small farmers were suspicious of offers of help. In general, these patterns have not changed significantly since 1964.

H. Peasant Associations and Power

1. Cooperatives and Other Associations

The cooperative movement in Ecuador began in 1937 with the passing of the Law of Cooperatives. Its development was quite slow until the establishment, in 1961, of the National Cooperatives Administration (Dirección Nacional de Cooperativas), a government agency designed to encourage the development of new cooperatives and provide suitable guidance for those already in existence.

Agricultural cooperatives are the most numerous type of cooperative in the movement. Very few of them can be considered

production or service enterprises. For the most part they amount to little more than groupings legalized to secure benefits for individual members. Between 1960 and 1964 there was a proliferation of cooperatives of this type. Generally speaking, the technical assistance which they needed for their formation and for their economic, social and political development was not available.

In the prereform period agricultural cooperatives had very little strength in political issues or in economic bargaining. They certainly did not have as much influence as organizations such as the three Chambers of Agriculture, agricultural organizations which defend the interests of landowners and large farmers and constitute solid pressure groups. These, in fact, were the organizations which, in 1960, took a firm stand against agrarian reform. No organization capable of defending the interests of small farmers with equal effectiveness has yet come into being. The only meaningful peasant union, the Ecuadorian Federation of Indians, has had little or no effect on economic conditions.

2. Political Power

One of the basic weaknesses in the structure of Ecuadorian agriculture in the period which preceded the agrarian reform law was the almost total lack of organization in the rural areas. It was almost impossible for the working masses of the agricultural sector to form any sort of sociopolitical organization. They were inhibited by their cultural heritage and their subjugation

to deeply rooted systems of tenancy and labor relations. Here and there isolated unions were formed, usually by political parties of the extreme left, but they have not had any noticeable influence in the political decision-making process.

During the 1950s the Ecuadorian Federation of Indians (FEI) was formed. This is a workers' organization of leftist political orientation, composed of indigenous workers of various large estates of the Sierra and is part of the Confederation of Workers of Ecuador (CTE). The Ecuadorian Federation of Indians took the first steps towards exposing the labor problems of the agricultural sector and the socioeconomic conditions faced by low-income farmers.

The Ecuadorian Confederation of Catholic Workers (CEDOC), although founded in 1938, did not penetrate the rural area until the years immediately preceding the enactment of the agrarian reform law, when it began to exert a certain amount of influence concerning the necessity of changing the land tenure structure and agricultural labor relations. Generally speaking, however, the campesino did not bring much influence to bear on the political system in support of land reform or any other issue.

III. LAND REFORM PROGRAM

A. Legislation

Over a number of years dating back to 1928 Ecuadorian legislation has recognized the need to improve the distribution, use and productivity of land. Several projects have been attempted. While some of

these have had considerable merit, their effectiveness has generally been limited by, among other things, the absence of comprehensive planning and the lack of focus on the basic inequities in the distribution of land and agricultural labor practices.

One of these projects was the outgrowth of the Public Lands and Colonization Law passed in 1936. It made possible the sale, at moderate rates, of farm lands located in vast unexploited public areas of the coastal region and the Oriente. Some improvements in agricultural production in the coastal region resulted from this project but isolation from markets was a hindrance to the development of land east of the Andes.

In 1954 the National Planning and Economic Coordination Board, which had been established by an emergency decree, took the first concrete step towards land reform by presenting a preliminary plan for an agrarian law. Its recommendations, however, were not acted upon. In 1957 the president of Ecuador took the next step by establishing the National Colonization Institute and subsequently authorizing the government to sell public lands under specific colonization plans.

Pressure for agrarian reform grew steadily after 1957 and led to the preparation of a proposal presented to the Congress in September 1961. Various political factions successfully opposed the proposal. Shortly afterward, the Velasco government fell.

Dr. Carlos J. Arosemena, who replaced Velasco as president, did not act on any of the subsequent proposals for agrarian reform until

mid-1963, when he announced that an agrarian reform law would be established by Executive Decree before the convening of Congress in August of that year. Dr. Arosemena was unseated from the presidency by a military takeover on July 11, 1963.

The new military government vowed that one of its goals was the completion and enactment of a comprehensive agrarian reform law conforming to the principles of the Charter of Punta del Este and the goals of national economic and social development. This law, the Agrarian Reform and Colonization Decree (No. 1480) became effective on July 23, 1964.

It seems clear that the adoption of agrarian reform by the military was an effort to gain support for the overthrow of the Constitution by seizing upon a popular issue which had not been well handled by the previous administration. There was in fact little support for reform among the more influential groups in the country, nor was there any effective political base among those supporting reform. While it might be said that there was a commitment to reform in principle, effective action could not be sustained once the junta was overthrown in 1966.

B. Institutional Arrangements

The Agrarian Reform and Colonization Law established an autonomous administrating agency, the Ecuadorian Institute of Agrarian Reform and Colonization (IERAC), the major operating elements of which are a Department of Agrarian Reform and a Department of Colonization. This agency,

replacing the National Institute of Colonization, has its headquarters in Quito. Its management and administration are entrusted to a board of directors, an executive committee and an executive director. The nine members of the board of directors are as follows:

(1) Minister of Agriculture;

(2) Minister of Social Welfare;

(3) Minister of Defense;

(4) Technical Director, National Planning and Economic Coordination Board;

(5) General Manager, National Development Bank;

(6) representative of farmers (Sierra and Oriente);

(7) representative of farmers (Coast and Galápagos);

(8) farm worker, representing the Sierra and the Oriente;

(9) farm worker, representing the Coast.

This board of directors functions as a policy-making body and a board of review and has the power to appoint and remove the executive director, as well as the directors of the Departments of Agrarian Reform and Colonization. It is also responsible for preparing rules and regulations concerning the application of the law and for approving the agency's annual budget.

The Executive Committee, composed of the executive director and the directors of the Departments of Agrarian Reform and Colonization, is responsible for the preparation of programs and the carrying out of those which are approved. The three members of the Executive

Committee are all professional, full-time employees.

Under the original concept, IERAC was to have worked out a series of ad hoc arrangements for cooperation with other agencies of the Ecuadorian Government to carry out various aspects of its program. In practice, however, these arrangements were generally not made or did not work. For this reason IERAC was faced with tremendous additional administrative burdens of organizing all necessary inputs for its projects.

It can be said that in both good times and bad, appointments of principal officers in the land reform authority were indicative of the nature of high-level government support.

C. Program Objectives

The basic objectives stipulated in the Law of Agrarian Reform and Colonization are the following:

(1) Change the defective land tenure structure.

(2) Work towards a reasonable expansion of the agricultural sector.

(3) Produce more democratic practices in the distribution of income.

(4) Establish the legal principles by which landownership rights are determined and controlled.

(5) Convert Ecuadorian agriculture into a productive business run by farmers and agricultural entrepreneurs, striving to make land a real factor of production instead of a mere basis for speculative investment.

(6) Improve the living conditions of low-income farmers and agricultural workers.

To accomplish these objectives the law establishes the following goals:

(1) Abolishment of defective tenancy and labor systems such as the huasipungo [see note on page 15] and others involving yanapas*, arrimados and finqueros**, sembradores***, and so forth.

(2) Gradual elimination of systems of absentee ownership such as rentals and sharecropping arrangements.

(3) Raising the standard of living of agricultural workers and low-income farmers by making it possible for them to own land, by establishing adequate minimum salaries, by allowing them to share in agricultural profits, by providing them with agricultural extension services and by incorporating them into the social security system.

The agrarian reform program was undertaken in accordance with the provisions of the General Plan of Economic and Social Development which, in the section entitled "Reform of Land Tenure Structure and Expansion of the Agricultural Sector," specifies the targets for the period 1964-1969. These are shown in the following two tables.

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* Individuals living outside of an estate who agree to pay in labor for access to pasture, wood, etc.

** Farmers who establish permanent or semipermanent cultivations on lands not belonging to them and pay the owner either in money, products or labor.

*** Agricultural workers who agree to plant an area not belonging to them and to pay a predetermined rent in kind for each cuadra (a land measure equal to about 0.7 ha.) of cultivation.

TABLE A

PROGRAM: GOALS OF LAND REFORM AND COLONIZATION, 1964-1969

Type of Program	Number of Families to be Benefited	Area Required (Hectares)
1. Resettlements:		
-Abolishment of huasipungos (1)	19,459	51,400
-Abolishment of arrimados (1)	5,970	14,900
-Landownership distribution and enlargement of plots for small and medium owners and precarious tenants (2)	31,071	593,700
2. Colonization: (2)		
-Legalization of properties	10,700	377,000
-New adjudications	14,800	332,000
Total (1964-1969)	82,000	1,369,000

SOURCE: National Planning Board-Plan General de Desarrollo Económico y Social - Libro Sexto.

(1) Table No. III-19, p. 80.

(2) Table No. IV-24, p. 107.

TABLE B

GOALS OF LAND REFORM AND COLONIZATION, 1964 - 1969

(1,000 families and hectares)

Year	Resettlements		Legalizations of Properties		Colonization	
	Families	Area	Families	Area	Families	Area
1964	2.5	30.0	2.1	66.0	-	-
1965	5.0	60.0	3.1	100.0	0.5	26.0
1966	7.5	90.0	2.3	80.0	1.2	39.0
1967	10.0	120.0	1.1	44.0	3.8	78.0
1968	13.0	150.0	0.9	39.0	4.8	104.0
1969	18.5	210.0	1.2	48.0	4.5	85.0
	56.5	660.0	10.7	377.0	14.8	332.0

SOURCE: National Planning Board - Plan General de Desarrollo Económico y Social - Libro Sexto, Table IV-24, p. 107.

D. Program Implementation and Enforcement

To implement the Law of Agrarian Reform and Colonization and the programs envisioned in the National Development Plan, the Ecuadorian Agrarian Reform and Colonization Institute (IERAC) was established in July, 1964. In accordance with the Plan, IERAC gave first priority to the abolishment of the huasipungo and arrimado. Other programs involved redistribution of land through expropriation or direct-sale procedures; legalization of properties already settled by colonists; and the settling of new lands by colonists. The table below summarizes IERAC's accomplishments from 1964 through 1969.

ACCOMPLISHMENTS OF THE AGRARIAN REFORM PROGRAM, 1964-1969

Projects	Programmed Targets		Accomplishments	
	No. of Families	Hectares	No. of Families	Hectares
1. Abolishment of huasipungos	19,459	51,400	17,026	60,093
2. Abolishment of arrimados and other similar forms	5,970	14,900	1,964	18,825
3. Landownership distribution and enlargement of properties for small and medium owners and precarious tenants	31,071	593,700	8,867	73,197
4. Legalization of properties 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: Programmed targets: National Planning Board-Plan General de Desarrollo-Libro Sexto.
Accomplishments: Agrarian Reform Institute (IERAC)-Program Department.

1. Redistribution of Land

IERAC's initial activities gave first priority to the liquidation of the huasipungo and the arrimado. As the table above shows, more progress was made towards achieving this goal than was made with the redistribution (including resettlement) and colonization programs.

Three resettlement projects were undertaken, two on large haciendas administered by the Social Welfare Board (see map, areas A and B, zone 1) and a third on an hacienda expropriated

from the Canadian Cocoa Company. (See map, area C, zone 9.) The beneficiaries of these projects were the agricultural workers of the three hacienda.

The Law of Agrarian Reform and Colonization established maximum and minimum sizes permissible for agricultural properties. Article 33 of the law states that no natural or legal person in the coastal region may own property amounting to more than 2,500 hectares to which may be added up to 1,000 hectares in plains and natural pasturage, and that no natural or legal person in the Sierra may own property amounting to more than 800 hectares to which may be added up to 1,000 hectares in páramos (high altitude lands suitable only for pasture) or grazing lands that cannot be irrigated with surface water.

Article 42 of the law specifies that no lands amounting to less than five hectares will be registered as individual holdings.

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

2. Changes in Tenancy Systems

Apart from the liquidation of the huasipungo and the arrimado, almost nothing was done to change the tenancy structure. IERAC,

beginning in 1966, proposed several regulations regarding rents and renters' rights, but these were not approved by the governments that succeeded the military junta. Meanwhile, Article 90 of the Law of Agrarian Reform remains in force and calls for the termination in 1972 of all rental contracts, with a few exceptions such as contracts with corporations or other agricultural enterprises not wishing to buy land. This provision of the law, designed to encourage land sales, has not accomplished its purpose and undoubtedly will have to be modified by 1972. No legislation has been passed regulating sharecropping arrangements and permanent leasehold rights have not been defined.

3. Colonization

Colonization of virgin lands has occurred under both planned projects and spontaneous settlement. The most important planned project, financed by an IDB loan, involved the legalization of properties and the provision of agricultural and housing credit to colonists in the Santo Domingo de los Colorados zone. Spontaneous colonization by families from the Andean region has occurred in both the coastal region and the Oriente. (See map, zones 3, 4, 5, 6, 7 and 8.) IERAC established offices in these zones in order to legalize documents for titling land possessions.

The table on page 47 shows that lessthan half the planned number of colonists were assisted, though the average colonization plot was larger than anticipated.

Colonization was originally conceived as a complement of land distribution, but recent governments have increasingly tended to regard it as a substitute.

4. Consolidation and Enclosures

In a few instances since 1964 actions leading to the rationalization of property boundaries have been taken. Certain articles of the agrarian reform law provide for splitting up large estates as well as for consolidating small holdings in contiguous areas in instances of resettlement of low-income farmers. But the law does not adequately define a policy for the integration of small holdings (minifundios) or for the consolidation of parceled lands.

5. Classification, Identification and Titling

With the establishment of IERAC, a program called "Inventory and Registration of Lands" was undertaken to determine the location, size, type of tenancy and legal status of all agricultural properties as well as the public lands suitable for colonization. (Article 24 of the law.)

This program was started with assistance provided by the United Nations Special Fund. IERAC conducted aerophotographic evaluations and determined the organizational and institutional requirements and resources needed to produce a national cadastral survey. Subsequently a National Cadastral Office was set up within the Ministry of Finance. The purpose of this office is to develop a national cadastral survey, but mainly for tax purposes.

The agrarian reform law, however, provides for coordination between the National Cadastral Office and IERAC. The cadastral work is progressing very slowly, chiefly because of financial problems and resistance by landowners.

E. Financial Aspects

1. Valuation Procedures

IERAC has participated in the selling of 50 haciendas, 27 owned by the Junta de Asistencia Pública, a government agency, 3 owned by the Church, and 20 owned by private individuals.

For haciendas owned by the Junta de Asistencia Pública, the usual procedure is for the sale price to be fixed as the amount of capital needed to produce interest equal to the average value of production in the last five years. IERAC paid the Junta de Asistencia Pública for this value by means of government agrarian reform bonds. The determination of the price is made jointly by IERAC and the Office of the General Controller of the Republic. An alternative procedure is for the Junta de Asistencia Pública and the buyers to agree upon a sales price, which IERAC must approve after examining the land and the sales plan. This latter procedure has not been used very often.

In the case of other haciendas, IERAC can approve a transaction where agreement has been reached between buyer and seller, which has been infrequent; or it can directly intervene to establish a sales price if no agreement can be reached between buyer and seller, which has usually been the case.

Special procedures were established for the liquidation of the huasipungo. If the huasipunguero had worked the land for ten years, he was entitled to his land without having to pay anything to the landowner. If he had worked 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 payment to the landowner in accordance with the number of years he had worked his plot. Compensation was determined by IERAC.

2. Program Financing

a. Landowner Compensation

Practically no expropriation of private lands has been carried out to date even though the law provides for it.

IERAC started the agrarian reform program with the properties of the Junta de Asistencia Social, a government institution which owned some of the biggest haciendas in Ecuador, most of them located in the highlands, inhabited and worked mainly by Indians who existed at a very low standard of living.

The terms of expropriation are explained in the appraisal procedures stated above. This measure has provoked a reaction among present landowners who dislike the method of valuation and estimate the value of their haciendas at higher prices. They argue that the valuation does not take uncultivated land into account even though it may be productive land; yet this land, in their estimation, has considerable value for the rotation of crops or for future expansion.

Since former landowners were to be paid in full with government bonds, there was no need for a guaranty mechanism to guard against nonpayment. No protection against inflation was provided. No incentives were offered for investing bonds in domestic industry.

b. Peasant Repayment

Generally only the land purchase price is shifted to the purchasing cooperative in full and all other costs are absorbed by IERAC.

Crop prices are not guaranteed, but IERAC did plan to create marketing centers in the Santo Domingo de los Colorados zone to facilitate the operations of the agricultural cooperatives. Unfortunately, this marketing program did not materialize for lack of funds and technical assistance.

No new taxes were imposed on the beneficiaries of reform; and the normal taxes charged for the transfer of titles were waived. No attachment procedures were used.

There are no plans for charging the cost of the program to the farmers.

The terms of repayment vary according to the decisions of the valuators. Generally, repayment periods range from 15 to 30 years, with interest rates of 6 percent or less.

c. Government Expenditures

IERAC is responsible for colonization as well as for agrarian reform. Its budget covers administration and general

coordination, administration and implementation of the agrarian reform, administration and execution of colonization, and certain technical and complementary services of both programs.

IERAC's income is composed of appropriations made by the central government, a predetermined portion of customs revenues, agrarian reform bonds, and certain other revenues, including those derived from the sale of land. Additional resources have been provided through international loans.

IERAC has never received the full amount of its approved budget. The budget figures in thousands of sucres for the period 1964-1968 are as follows:

	Budget	Actually Received	% of the total approved amount
1964	139,100	56,277	40
1965	252,237	117,732	47
1966	108,051	81,473	75
1967	116,483	102,620	88
1968	170,472	52,954	31
	786,343	411,056	52

The cost of the agrarian reform program to the central government, excluding the cost of infrastructure projects, has been as follows:

(Thousands of Sucres)

	Budget	Actual
1964	69,609	17,850
1965	96,146	31,489
1966	19,104	16,635
1967	16,635	7,371

Data for 1968 and 1969 are not available.

F. Supplementary Measures

1. Information

IERAC did not design any special agronomic packages or practices. It did, however, prepare many special courses for the training of IERAC personnel as well as many of the beneficiaries of the land reform program. These courses were in the following subjects: leadership training for low-income farmers, administration of agricultural cooperatives, land surveying, preparation and administration of land reform projects, and rural first aid. Some courses in agronomy and other agricultural sciences were also given.

In accordance with the responsibilities assigned by the law for supporting services, IERAC was to develop working agreements with a number of different agencies of the central government. For reasons of limitations or political opposition, however, none of these agencies expanded its services adequately to serve IERAC project development. Therefore the quality of agricultural extension services was not improved, and these services were not provided in any substantial way to the land reform program. The

lack of agricultural extension personnel was one of the major difficulties confronting the Ecuadorian land reform program. IERAC tried to compensate for it with its own funds and personnel, but its resources were not sufficient.

Supervised production credit was to have been provided through the BNF, but, as pointed out below, very little credit or supervision was actually provided.

The Andean Mission, under an agreement between IERAC and the Ministry of Social Welfare, was the only cooperating community development agency within the agrarian reform program.

2. Credit

In the limited areas where IERAC has operated, credit resources seem to have been adequate for land purchases and land titling. With regard to production credit, the law which established IERAC, provided that the necessary agricultural credit in the colonization and land reform zones would be granted through the Banco Nacional de Fomento (BNF), which would coordinate its activities with those of IERAC. The BNF could not, however, expand its services rapidly enough to keep pace with IERAC project development. This made it almost impossible for IERAC to meet the production credit needs among the land recipients of its new projects. Also, operational difficulties existed between the BNF and IERAC since the BNF has traditionally been reluctant to lend to small farmers (as described in II-G-2), the type of farmer with which IERAC was working. Thus the amount of production credit actually made available was very small. The precise amounts are not known.

3. Supplies

The plan for agrarian reform did not provide for the creation of an institution to supply the beneficiaries of the program with agricultural inputs. It was decided that actions would be coordinated with the Banco Nacional de Fomento (BNF) to make agricultural credit available to the beneficiaries, but the effectiveness of this arrangement was very limited. Only in the instance of specific projects for the resettlement of low-income farmers (in Pesillo, San Vicente de Pusir, Tenguel and San Agustín de Cajas) was there any degree of success in providing direct assistance to the beneficiaries of agrarian reform. Credit for agricultural inputs was offered to farmers on these resettlement projects, or guarantees were given to commercial firms to provide private credit to them. Although precise data are not available, it is known that the amount of credit made available was only a small fraction of the amount needed.

4. Infrastructure

Development of the agrarian reform and colonization areas required a great deal of financing for access roads, the surveying and subdividing of land, land improvement and the development of all types of infrastructure facilities. For the development of these facilities IERAC had agreements with the Ministries of Agriculture, Education, Public Works, National Defense, Social Welfare and the Banco Nacional de Fomento (BNF). These cooperating

agencies, however, were not able to expand their operations fast enough to meet IERAC's project demands. Assistance from the Agricultural Extension Service was inadequate and IERAC had to supplement this work with its own funds and personnel. Because the Ministry of Education lacked funds, IERAC had to construct schools and community centers with its own resources. In a number of areas, schools and community centers were constructed as development projects.

The Ministry of Public Works did plan and construct some major highways in areas where colonization and reform projects were located. IERAC in turn provided the access roads connected to these major highways. Also, the Ministry of National Defense assisted IERAC with some roads and other infrastructure facilities. In some of these projects military draftees worked in the development of the area in which they would settle after completing military service.

In summary, some schools, community centers and roads were constructed for the reform and colonization areas, but little was done in terms of land improvement and irrigation and a lack of funds prevented the completion of many other anticipated infrastructure projects.

5. Crop Procurement and Marketing

No central procurement authority was established to market off-farm surpluses in the reform areas, nor were any price stabilization policies adopted. An attempt was made to assist

banana marketing cooperatives in the Santo Domingo de los Colorados zone, but this program was not very successful, mainly because of a lack of funds.

G. Mobilization of the Peasantry

1. Economic Aspects

As provided by the agrarian reform law, IERAC efforts were based on improvement of existing agricultural cooperatives and the formation of new ones. It also worked through other types of social organizations, such as the comunas campesinas (small agricultural communities), but even while government support for the program lasted, a lack of time and resources hindered development efforts. The discontinuity of political backing and ever-increasing obstacles made it impossible for IERAC to turn any of these organizations into sound enterprises which would have been economically useful in the reform process.

Apart from the junta itself, the employees of IERAC themselves proved to be the most important group in mobilizing what support the program had. But the original IERAC staff, generally competent and well motivated, melted away as political and financial support for IERAC dwindled. As the reform ideals of the staff weakened and morale sank, administrative efficiency was lost and the significance of this group as a positive influence declined.

Through the cooperative movement, some farmers (more in the coastal region than in the Sierra) have begun to exert economic pressure on merchant groups, but this development has little to do with the agrarian reform program as such.

2. Political Aspects

Associations of low-income farmers wield very little political power and generally do not work together. Trade unions and some other organizations are making energetic attempts to attract the confidence of the marginal farmer and win him over to their ranks but with indeterminate results to date.

Political parties by and large are not truly responsive to the needs of smaller farmers. The opportunism of political parties diminishes the effectiveness which they could have on the formation of a sound and helpful national agrarian policy. The multitude of such parties has a tendency to confuse the farmer on the issues that must be dealt with regarding agrarian reform. The landowner class exerts far more influence than small farmers through whatever organization it establishes at a given time to promote its interests.

In short, the small farmer exerts practically no influence on the government decisions which affect his life. Some observers suggest this static situation is beginning to change, thanks in part to the growing number of cooperatives formed by small farmers and the agrarian reform movement. Popular participation in the development of rural areas, however, is not yet a factor of weight in government circles.

H. The Politicis of Implementation

Landowner pressure groups have been traditionally opposed to any reform program involving the expropriation of lands for peasant farmers. These groups have demonstrated considerable skill in prolonging the reform process through legislative and legal entanglements.

Individual landlords tend to acquiesce only when the danger of total loss seems imminent. The public in general has a certain amount of sympathy for the landowners since the payment which they receive from the central government for their lands consists chiefly of government bonds whose market value is considerably less than par value.

Many members of the elite believe that the U.S. Government had a strong hand in influencing the military government of 1963-1966 to enact legislation that would bring about the agrarian reform program which they despise. Thus the agrarian reform movement must carry the additional burden of association with foreign influences.

The Church had little to do with the Ecuadorian government's land reform program, although it has made some attempts to divide its large landholdings and sell parcels to landless farmers. In many cases, however, these lands have been of the poorest quality. Since recent dictates from Rome made mandatory a concern for social issues, the Church cannot take a public position that is contrary to the papal encyclical, Populorum Progressio.

Since opposition parties generally are guided by their interest in momentary public opinion, the stand which they take with regard to issues is often ambivalent. Publicly most of the political parties support agrarian reform measures, but in the past their failure to act in support of IERAC has contradicted their platform promises.

The Ecuadorian press is controlled mostly by the landowning class and generally speaking does not tend to promote public opinion favorable to agrarian reform. Some elements of Ecuadorian society are in favor

of reform measures whatever they may be in certain cases because they believe that they have nothing to lose and that the day may come when the beneficiaries of reform will serve their interests.

Since the fall of the military junta the national political scene has been characterized by fragmentation of political power and concentration, ineffective though it may have been, on issues other than land reform. There seems to be little reason to expect the emergence of significant political pressure for reform in the near future.

IV. EFFECTS OF THE LAND REFORM

While this section will attempt to address itself to the questions posed by the outline, the fact is that an accurate appraisal of the effects of land reform in Ecuador is not feasible within the framework of this review. The land reform program was in operation for a very short time; so at best its direct effect had to be limited. Since the overthrow of the military junta in 1966, Ecuador has been faced with economic, fiscal and political turmoil which has affected development at all levels. The effect of IERAC's operations is insigificant in relation to the impact of these far more pervasive forces.

Yet USAID is not prepared to accept the notion that the effect was marginal. Clearly land reform as a threat has had impact where land reform as a fact was nonexistent. But what individual acts resulting in land redistribution are spontaneous and unrelated to land reform, and what acts are induced, however indirectly, by that reform?

It would seem that the situation in Ecuador defies analysis by aggregates. A meaningful appraisal of the effects of land reform would require a careful

evaluation through extensive interviewing and other sophisticated techniques beyond the scope of the analysis requested.

Certain specific results produced by IERAC can be identified:

(1) The change in the social status of the huasipungueros of the Sierra region, who were still being held to a type of tenancy that was prevalent in the 18th century, has made possible some improvements in labor mobility. In addition, legal minimum wages for labor in the agricultural sector have been raised; however, these are not always enforced.

(2) Land reform has produced, at least in the circles of political decision-making, some discussion of the need to broaden the policy concerning agricultural credit, and to make it accessible to low-income farmers who heretofore had no access to it.

(3) The obstacles to land reform have caused some groups of low-income farmers to organize themselves in associations or cooperatives to enhance their capability of buying land, obtaining inputs and marketing their produce.

(4) Some colonization projects have been carried out.

(5) The demand for agricultural extension services has increased, but the government's extension service cannot meet this demand because of a lack of resources.

(6) In certain places where agrarian reform has been put into effect, some basic facilities, such as roads, schools, and hospitals, have been built.

(7) In some measure, low-income farmers have come to expect social and economic changes which will improve their living conditions.

The frustration of these expectations resulting from the failure to move forward with agrarian reform has created distrust among these people, and has, in some instances, led to land invasions, agricultural labor problems. etc.

Beyond these specific effects it becomes quite difficult to trace the real impact of the reform experience.

A. On Land Tenure Structure

The 1968 National Agricultural and Livestock Survey, though not entirely comparable with the 1954 census data and seriously deficient with regard to data reliability, provides some indication of the changes in land tenure structure since 1954. Table A on the following page indicates that some improvement in land tenure structure has occurred, but land remains very unequally distributed.

The changes indicated in Table A are not entirely attributable to the agrarian reform measures enacted in 1964. To a considerable extent they came about spontaneously or were the result of the colonization program which got under way after the establishment of the National Colonization Institute in 1957.

It is known, however, that the advent of agrarian reform prompted many landowners to divide up their lands among their relatives or sell small plots to low-income farmers. This helps to explain the reduction in the number and size of large estates and the noticeable increase in the number of farms of from one to five hectares.

Table B shows that the proportion of farmers owing their own land increased from 67.9 percent in 1954 to 75.9 percent in 1968. More than

TABLE A

ECUADOR - Changes in Land Tenure Structure

From 1954 to 1968

Size of Farms	Number of Farms			Total Area			Average Size		Percent Relationships			
									No. of Farms		Total Area	
	1954	1968	Percentage Increase	1954	1968	Percentage Increase	1954	1968	1954	1968	1954	1968
Less than 5 Has.	251,686	470,347	86.9	432,000	709,000	64.1	1.72	1.51	73.0	74.2	7.2	10.2
5 to less than 10 Has.	36,250	68,527	89.0	271,500	466,315	71.5	7.49	6.80	10.5	10.8	4.5	6.7
10 to less than 20 Has.	21,400	36,228	69.3	294,300	485,572	65.0	13.75	13.40	6.5	5.7	4.9	7.0
20 to less than 50 Has.	19,415	32,746	68.6	591,500	1,018,315	72.1	30.47	31.10	5.6	5.2	9.9	14.7
50 to less than 100 Has.	8,327	15,555	86.8	547,200	976,653	78.5	65.71	62.79	2.4	2.5	9.1	14.1
100 to less than 500 Has.	5,787	8,467	46.3	1,156,300	1,647,904	42.5	199.81	194.63	1.7	1.3	19.2	23.8
500 to less than 1,000 Has.	664	922	38.8	464,700	634,554	36.5	699.85	688.24	0.2	0.2	7.8	9.1
1,000 or more	705	426	-39.4	2,242,000	999,633	-55.4	3,180.14	2,346.55	0.1	0.1	37.4	14.4
Total Republic	344,234	633,218	83.9	5,999,700	6,937,520	15.6			100.0	100.0	100.0	100.0

SOURCE: 1954--First Agricultural Census.

1968--National Agricultural Survey.

90 percent of the total increase in land area from 1954 to 1968 (15.6 percent)* occurred on owner-operated farms. There was also a notable increase in land farmed by renters, owner-renters, and colonists. Land formed under other forms of tenure declined considerably, as did the number of farmers under these tenure forms. These declines are due in large measure to the 1964 Law of Agrarian Reform and Colonization, which prohibited some forms of precarious tenancy.

TABLE B

ECUADOR - LAND DISTRIBUTION BY TYPE OF TENURE, 1954-1968
(1,000 Has.)

Type of Tenancy	Number of Farms		Percentage Change	Total Area (Has.)		Percentage Change
	1954	1968		1954	1968	
Grand Total	344,234	633,218	83.9	5,999.7	6,937.5	15.6
Owners	233,900	480,479	105.4	4,889.4	5,736.4	17.3
Renters	17,038	79,931	369.1	426.2	594.2	39.4
Sharecroppers	13,336	26,729	100.4	64.7	74.1	14.5
Huasipungueros	19,747	-	-100.0	60.8	-	-100.0
Colonists	-	3,744	-	-	171,8	-
Communal	5,778	1,770	-69.4	25.7	1.5	-94.2
Other Simple Types	23,783 1/	8,169	-65.7	202.0	77.1	-61.8
Owners-Renters	-	14,372	-	-	161.9	-
Other Mixed Types	30,652	15,431	-49.7	330.9	104.0	-68.3
Unknown Types	-	2,593	-	-	16.5	-

1/ Includes an unknown number of colonists. Also probably includes owner-renters.

SOURCE: First Agricultural Census - 1954 and National Agricultural Survey 1968.

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* As noted above, the 1954 and 1968 data are not entirely comparable.

Table C shows the changes from 1954 to 1968 in cultivated land and "other lands" by size of farms. These data show a very significant increase in the proportion of cultivated land to total land area, from 34.7 percent in 1954 to 55.0 percent in 1968. The indicated increase in total land area under cultivation, from 2,018,000 hectares to 3,815,800 hectares, implies an average annual increase of 4.4 percent. This high rate of increase is difficult to believe and almost certainly is a reflection primarily of data deficiencies in both the 1954 census and the 1968 survey.

TABLE C

ECUADOR - ARABLE LAND AVAILABLE BY SIZE OF FARMS
Comparative Period: 1954-1968 (1,000 Hectares)

Size of Farms	Total Area		Arable Land			Other Land		
	1954	1968	1954	1968	% Change	1954	1968	% C
Grand Total	5,999.7	6,937.5	2,081.0	3,815.8	83.4	3,918.7	3,121.7	-
Less than 1 Ha.	46.0	93.0	43.4	82.6	90.3	2.6	10.4	3
1.0 to 4.9 Ha.	386.2	615.6	324.8	492.2	51.5	61.4	123.4	1
5.0 to 9.9 Ha.	271.5	466.3	189.5	337.4	78.0	82.0	128.9	
10.0 to 19.9 Ha.	244.3	485.6	181.0	319.5	76.5	112.3	166.1	
20.0 to 49.9 Ha.	591.5	1,018.3	297.0	605.6	103.9	244.4	412.7	
50.0 to 99.9 Ha.	547.2	976.7	219.2	524.4	139.2	328.0	452.3	
100.0 to 499.9 Ha.	1,156.3	1,647.9	394.5	826.0	109.3	761.8	821.9	
More than 500.0 Ha.	2,706.7	1,634.2	431.5	628.1	46.5	2,275.2	1,006.1	-

SOURCE: First Agricultural Census - 1954, and The National Agricultural Survey - 1968.

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B. On production and Productivity

Because of a lack of reliable data, it is not possible to measure the impact of agrarian reform activity on agricultural production . Neve theless, it is interesting to observe the changes that have occurred in agricultural production and productivity on a national scale by comparing the data of the first agricultural census of 1954 with those obtained during the national agricultural and livestock survey made in 1968. The following table provides some production and productivity figures for certain important products, and in general indicates a reduction in productivity except for wheat and potatoes.

NUMBER, AREA, PRODUCTION AND PRODUCTIVITY FOR SOME MAIN CROPS, 1954 and 1

(1,000 hectares and 1,000 quintals)

Main Crops	Number of Farms 1954	Number of Farms 1968	Cultivated Area 1954	Cultivated Area 1968	Total Production 1954	Total Production 1968	Productivity (1954
Corn	205,380	372,328	182,8	383.1	2,415.8	3,825.6	13.2
Barley	101,651	121,348	124.3	123.4	1,289.0	1,352.3	10.4
Wheat	37,521	68,814	56.8	117.8	729.1	2,056.8	12.8
Potatoes	48,431	87,440	37.3	71.7	3,101.4	7,981.1	83.1
Rice	27,269	104,095	62.4	283.8	1,839.6	3,227.9	29.5
Bananas	40,493	42,743	115.1	207.6	62,085.0*	87,782.0*	539.4
Cocoa	22,972	55,654	114.8**	252.0**	621.4	984.3	5.4
Coffee	50,704	99,072	83.4**	177.6**	766.5	1,150.7	9.2
Sugar Cane	20,541	30,167	41.3	63.8	-	-	-

* Thousands of stems.

** Thousands of productive trees.

SOURCE: First National Agricultural Census - 1954, and Agricultural Survey - 1968.

Best Available Copy

Decreased productivity, however, cannot be attributed to the reform program carried out since 1964. It is rather the consequence of a lack of adequate technical assistance, modern farm inputs (improved seeds, fertilizers, irrigation, water control, etc.) and marketing facilities. The lack of agricultural credit for small farmers also precludes production increases and improvements in productivity. Generally, the only resources available to the small farmer are the force of his labor and his small plot of land.

C. On Rural Employment and Underemployment

IERAC's programs have had no significant effect on rural employment and underemployment. The colonization programs have helped to encourage migration to new agricultural areas and perhaps to some extent have discouraged migration to urban areas and have helped relieve the underemployment problem. But these positive effects are not quantifiable and probably have been so minor that they are hardly worth mentioning.

D. On Income Distribution

No quantitative data are available to assess the effects of the land reform program as a whole, but it can be stated with reasonable certainty that land reform has not improved rural income distribution. Indeed, it has sometimes had the opposite effect. A recent study of the effects of the liquidation of the huasipungo in the province of Pichincha concluded that the low-income farmers' economic situation deteriorated as a direct result of the land reform. (See Carlos H. Paredes B., Incidencia Económica y Social del Proceso de Liquidación del Huasipungo en la Provincia de Pichincha, Thesis, Catholic University, Quito, Ecuador, 1967.)

E. On Services and Supplies

The agrarian reform program has had little or no effect on the availability of services and supplies. Agricultural suppliers have in recent years become more interested in the market for their products among smaller farmers, but there seems to be no reason to believe that the reform had any causal relationship to this development. In general, the extent to which services and supplies are more accessible now than before 1964 must be attributed to general development trends and not to the reform.

F. On Peasant Participation in Decisions

The effects of land reform on popular participation in socioeconomic development have not yet been defined. Since land reform is a slow process, the transfer of income and rights to the marginal farmer is bound to be very gradual. It has been observed that generally the change in landownership, if unaccompanied by technical assistance and the availability of credit, results in a drop in individual income which continues for at least two or three crop seasons. The individual has to adjust to a way of life different from that to which he has been accustomed, make radical shifts in the utilization of his personal resources, and find sources of credit to make his land produce at a minimum level among predatory middlemen. Under such circumstances, participation in decision-making may not seem an urgent requirement to him.

Some cooperatives have been effective in providing the low-income farmer with a modicum of bargaining power, but IERAC cooperatives have not been consistently well run. An impressive young leadership element

is emerging within the cooperative movement, but once again factors outside of the agrarian reform program have probably been more significant in this development.

G. On the Character of Rural Society

The agrarian reform program has had minimal effects on the character of rural society. Relationships between the various ethnic groups and social classes of the country have changed very little. The pace of migration from the country to the cities has not noticeably slackened, and to the extent that it has little can be attributed to agrarian reform. Living conditions in the metropolitan areas, even in the slums, continue to be much better than those which typify many rural areas. The wages which an unskilled laborer can earn in the city are superior to those paid in rural areas.

Social services in rural areas are practically nonexistent because the agencies responsible for providing them continually operate under large budgetary deficits and their field workers are, for the most part, insufficiently trained and not interested in working outside of the cities. Furthermore, the government agencies responsible for providing services to the rural population (mostly Indians) are staffed by people who are reluctant to mingle with indigenous groups and do not understand their problems.

H. Broader Effects on the Economy, Society, and Polity

It is difficult to identify with any precision changes in the rural economy or the economy as a whole flowing from the agrarian reform program. Clearly there has been some effect in the political and social areas. While some members of the rural population continue to hold out some hope for agrarian reform solutions of the type theoretically offered by IERAC, others--particularly in the coastal region--have lost faith in IERAC's potential usefulness. Disillusionment with IERAC has undoubtedly contributed to the increasing incidence of land invasions in recent years. These invasions have sometimes been undertaken to goad IERAC into action, but often the motive is to effect immediate confiscation without the intervention of IERAC. The poor record of IERAC has probably also been one of the motivating factors behind the Roman Catholic Church's recent decision to undertake its own agrarian reform program. Another by-product of IERAC's ineffectiveness is the increasing interest which low-income farmers show in the private purchase of land.

This situation might have been expected to lead to a sharp increase in rural political activity by extremist groups, but there seems to be little evidence that it has. Alternatively, it might be that there has been a significant increase in such activity, but that it has been ineffective because it has continued under the direction of the same inept extremist leaders who were involved in such activity in the pre-IERAC days.

Agrarian reform has also had some influence on the political ambiente in that attention has been drawn to the need for changes in Ecuadorian institutions and in the socioeconomic standards and

values which at present are major obstacles to development.

In general, it is very difficult to sort out from the changes which have taken place in the decade of the 1960s those which were "caused" directly or indirectly by the agrarian reform effort.

V. CRITIQUE AND EVALUATION

The IERAC effort was too brief and too limited to be called a land reform. A promising start was aborted before any results significant in broad terms were achieved.

The crucial factor in IERAC's collapse has been the lack of financial resources. Even during the period in which its accomplishments were relatively noteworthy (July 1964 to March 1966), IERAC did not receive the minimum annual amount of financial support (S/50 million) specified by the Law of Agrarian Reform and Colonization. The governments which have been in power since the fall of the junta have curtailed IERAC's funds drastically. The chronic lack of funds has made effective operations impossible and has caused many of IERAC's best technicians to leave. Their replacements have sometimes been people whose incompetence and lack of scruples have seriously damaged IERAC's reputation.

The second major factor in the failure of agrarian reform was the lack of an effective political base to press for support once constitutional government was re-established. Agrarian reform in principle has acquired sufficient acceptance that many government officials and candidates for public office take care not to appear to be against it. Many who object to it, however, withhold actual support for agrarian reform organizations

and activities when in office. In the absence of real support such tactics go unchecked.

The third major factor in limiting the effect of land reform was the state of underdevelopment in the country in general and in the agricultural sector in particular. Without an adequate institutional base to draw upon, IERAC was obliged to organize and provide all services required to carry out its projects. Given the immensity of such an administrative task, it must be concluded that land reform as conceived in the mid-1960s probably never had a chance to be successful.

There were secondary factors which also undermined IERAC's position.

Since the Agrarian Reform and Colonization Law made IERAC the ultimate authority in all matters related to agrarian reform, the institution has had to bear the brunt of all the complaints and recriminations to which the shortcomings of the program have given rise. IERAC has been blamed, for example, for the fact that government organizations designated by law as supporting agencies have had budget problems of their own, and have been unable to expand their capacity rapidly enough to keep up with the increased demand for such facilities as roads and schools, agricultural extension services, and supervised credit. It has been blamed for the side effects of its accomplishment of certain provisions of the law. It did succeed, as the law required, in abolishing the huasipunguero system within twenty months after the passage of the law. Public opinion, however, generally holds it responsible for the fact that many former huasipungueros are now worse off than they were before, since, as a result of their change in status, the large landowners on whom they used to depend no longer feel obliged to employ all of them, but rather are within their rights in picking their labor force just as they choose.

Public interest in reform was further undermined by extremist demands, land invasions, bureaucratic bickering, charges of communism, and, inevitably, boredom.

Since the military government which established and favored IERAC was replaced by a series of governments dominated by traditional interest groups, IERAC has followed a cautious policy, concentrating its efforts on the sale of government-owned lands managed by the Junta de Asistencia Social and lands which the Church and private individuals have been willing to sell.

In summary, under the best of circumstances it was doubtful that the agrarian reform program as enacted could have worked without significant revisions. Events have hardly improved IERAC's chances of success. The enforcement of land reform has been minimal except with respect to the elimination of the huasipungo status. What remains to be done is virtually everything. But the land reform effort cannot be dismissed as a total failure. While a disciplined political base does not exist, attitudes of the public have undoubtedly changed. If nothing else, land reform is now perceived as a problem. Just as fifteen years ago poverty was not perceived as a national problem in the United States and therefore did not "exist", the problem of land reform did not really "exist" in Ecuador until the time IERAC began its work. Ecuador has not done very much about its land reform problem besides perceive it, but arguably the United States has not done much better with its poverty problem, a national need of more or less proportionate significance. But the forces which will ultimately resolve the issue have been released.

Drafted by:
CBlankstein/JNixon/CZuvekas/AAvilés
May 7, 1970

Attachments:

1. Bibliography

2. USAID Evaluation of Agrarian Reform in Ecuador

3. AID Support for Land Reform in Ecuador - Supplementary Materials for Spring Review of Land Reform

4. Map of Agrarian Reform and Colonization Zones

ATTACHMENT No. 1

SPRING REVIEW OF LAND REFORM - ECUADOR

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ANNEX

USAID EVALUATION OF AGRARIAN REFORM IN ECUADOR

"Recognition of a pressing need for change in the structure of agrarian society and land ownership is relatively new in Ecuador. During the presidential elections of 1956, only one candidate spoke out for the need for agrarian reform. He was defeated. By 1960, however, the picture had changed, and during the campaign preceding the elections, every candidate loudly supported the concept of agrarian reform, although from several quite different points of view. Everyone appeared to agree that something should be done, and immediately, but there was little agreement as to what. Dr. Velasco Ibarra, elected President of Ecuador in 1960, immediately named a commission to study the problems of agrarian reform and prepare a draft of a law to submit to Congress. During the sessions of Congress in 1960, however, members were too occupied in attacking the previous regime to pass the law submitted. By 1961 hopes for passage of the law were frustrated by an antagonism between President Velasco and Congress which was resolved only when Velasco was forced out of office and replaced by Dr. Carlos Julio Arosemena. Various programs were presented to Dr. Arosemena, but no action was taken on any. Under heavy political pressure, Dr. Arosemena finally announced that a Law of Agrarian Reform would be established by Executive Decree previous to the session of Congress scheduled for August, 1963.

A Decree was prepared and was ready for the President's signature, but the coup carried out by the military in July, 1963, completely changed the prospects once more. The Military Junta that took power gave the unwillingness of the government of Arosemena to enact the necessary reforms

as one of the reasons for this overthrow, and it was with the sponsorship of the Military dictatorship that the Law of Agrarian Reform was passed in July, 1964.

In general, there are two opposing points of view regarding agrarian reform. One represents the thesis upheld by the traditional forces mainly made up of landlords. As could be expected, this theory is opposed to agrarian reform, or at least to a form which would result in a drastic reduction of the large land holdings. This group favors colonization as a solution to all the problems of land tenancy in Ecuador. Customary arguments to this effect include, 1) if large parts of well cultivated land are expropriated, production will immediately drop, 2) only a minority of rural inhabitants will benefit from agrarian reform at the expense of the great mass of urban dwellers who will have to pay for rural development and also suffer from higher food prices, 3) capital will no longer remain in the country and the index of investment will drop, and 4) colonization, not expropriation, should be given preference in any program because of its fewer political and economic disadvantages.

The other point of view is recognized as being "liberal". The progressive reason that the redistribution of lands will increase production, will improve local markets, will accelerate national growth, and generally improve the standard of living of the rural sector. In brief, this group claims that the land must produce all of which it is capable with the results of such production being divided equally among the factors of production.

Although these two groups are most vocal in their arguments, there is a third group, more to the center politically than either of the other

two which takes the stand that expropriation of well cultivated lands would be a costly error resulting in a withdrawal of investment capital following by chaos. They reason that agrarian reform should refer only to the expropriation of lands left uncultivated in a program which would include improving facilities of agricultural credit and extension.

Unfortunately, the final Law of Agrarian Reform which was passed and turned over to IERAC (Instituto Ecuatoriano de Reforma Agraria y Colonización) for implementation and administration was influenced by all of these divergent and incompatible viewpoints and was, thus, satisfactory to no one.

Aims and Philosophy of IERAC 1964-1966

The implementation of agrarian reform, according to its interpretation by the first Board of Directors of IERAC, was planned around the achievement of both long and short range goals.

1. Long-range goals

a) Political. To change the power structure within the country and obtain a true democracy by levelling the present unequal social structure.

b) Social. To achieve social reform through social mobility aimed at destroying the rigid social stratification characteristic of Ecuador. It was considered that this process could only be carried out in an atmosphere of peace and tranquility that would promote the development of true democracy.

c) Economic. To develop a society in which economic development could be achieved. (This was not considered a possibility within the present structure.)

2. Short-range goals

a) To correct the present defects in the agrarian structure so as to transform society and thus prepare the country for political, social and economic development.

b) To change the base of society which at present is built upon exploited and underprivileged masses. Contemporary society was considered to have three primary defects:

(1) defects in the tenancy of the land;

(2) defects in the labor market;

(3) defects in the distribution of the land due to the prevalence of latifundio and minifundio.

As a result of these basic defects, other unfavorable factors affecting the prosperity and welfare of the country developed:

(1) low productivity of land and man;

(2) illiteracy;

(3) lack of industrial development;

(4) malnutrition;

(5) low index of economic growth.

To correct these conditions which came about as the result of, and not the cause of the basic defects, it was considered essential that the entire structure of society be changed, a process which the IERAC director felt deserved first priority in any effective reform program.

The term "precarious tenancy," was used to describe the conditions under which 260,000 people worked the land in the Sierra and included not only the huasipungueros, but six or seven other types of tenancy including sharecroppers, renters and all others dependent upon the good will of the landlord.

It was felt that if these forms of tenancy and types of people could be eliminated or changed into something different, the basic faults of society listed above would also be eliminated... It was not thought sufficient to change only one or two of the precarious tenancy forms; all elements of possible exploitation had to be removed.

The directors of IERAC recognized the fallacy held by many critics of agrarian reform: that faults of tenancy and distribution of land could be corrected by simply expropriating the land and dividing it up. It was felt, on the contrary, that this action would achieve nothing so long as the present social institutions remained. Emphasis was placed on changing the status of the inhabitants rather than the distribution of the acreage, thus making the base of the problem human rather than one of land alone.

Under the Law of Agrarian Reform IERAC was justified in intervening in land holdings only for specific reasons:

(1) for defect in tenancy;

(2) for defect in land use;

(3) for defects in land distribution (lands over a maximum size).

Although priority was given the reasons for intervention in the order listed, the board of directors in general felt that defective land distribution should rank above land use because of the greater ease in effecting corrections. Although it is easy to determine when land owned is greater than a maximum set by law, or when it is idle and uncultivated, it is not easy to determine to what extent cultivated land is <u>badly</u> cultivated. If there is any cultivation at all, there is always a point

of disagreement as to whether the use of the land is bad, - or sufficiently bad to allow intervention or expropriation by IERAC.

In order to find land for persons suffering from any of the forms of exploitation, the first consideration was the distribution of the land, and IERAC considered it essential eventually to expropriate large land holdings in order to achieve "integration" of the campesino.

Before expropriating private property as allowed under the Law of Agrarian Reform, however, full use was planned for the state-owned haciendas operated by Asistencia Social (Public Welfare) which were scheduled to be turned over the IERAC for redistribution and resettlement. Although IERAC and Asistencia Social are both agencies of the GOE, they are both "autonomous," and the largest part of the annual budget of Asistencia Social consists of income derived from the haciendas, an arrangement which, in a sense, requires the government to repurchase its own property through IERAC.

The haciendas of Asistencia Social are, in general, operating under favorable conditions. All produce incomes far below their potential due to faulty rental contracts, poor choice of renters and a lack of technical efficiency which progressively destroys the value of the land. On the other hand, Asistencia Social renters receive a high income in proportion to their investment because of their indiscriminate exploitation of soils, a factor of not much concern to them because of the usual short term of the rental (eight years.) Living conditions and salaries among hacienda workers and huasipungueros previous to the establishment of IERAC were little, if any, higher than elsewhere in the Sierra, despite the fact that Asistencia Social is the official government welfare agency.

Neither the total extent (133,000 hectares), however, nor the potentially productive area (56,000 hectares) of the 77 haciendas of Asistencia Social were large anough to justify the hope that expropriation could end there. Even the complete redistribution of these lands can have relatively little impact upon the 254,000 families living in conditions of "precarious tenancy." It was hoped, however, that a well-planned and efficiently executed redistribution of these lands would serve as a model to give impetus to a gradual but decisive agrarian reform.

Actual redistribution of expropriated land was planned to be handled by awarding the land titles to cooperatives to be organized in all areas where the program was to be carried out. Opponents of agrarian reform used this feature of the plan as justification for accusing IERAC of being communist dominated. IERAC insisted the reason for granting one title to a group of people was to reduce the costs of the program and benefit more individuals. It was also claimed that individual titles were not appropriate for huasipungueros, as one of the primary objectives of the program was to form these people into a group or society, a goal which could most easily be accomplished through joint cultivation of the land. It was also pointed out that it would hardly be logical to expect people with a background of generations of submission to the patron, and with no opportunity to devebp initiative and secure adequate educations, to change overnight into capable land managers. It was felt that through communal farming, the huasipungueros could be more easily trained in modern farm methods, could learn cooperative management, could secure credit through their cooperative, and could eventually form their own agricultural corporations or companies, an achievement regarded as impossible with individual ownership.

The advantages of the cooperatives or agricultural associations (collective farming) include the benefits of cooperative marketing and purchasing, transforming the areas too small for individual holdings into collective farms of adequate size.

Faith in the efficiency of collective farming and cooperative action is based on the success of the Israeli models, and several of the personnel at IERAC had training in Israel. For those who claimed the system proposed by IERAC was based on communism, it was answered that farm titles are made to the cooperative; they are not held as the property of the State.

A low rate of land utilization is a primary characteristic of latifundio just as overcultivation is of minifundio, but by pooling the human and material resources of a group provided with technical assistance and agricultural credit, it was hoped both conditions could be avoided.

IERAC's plans for collective farming did not eliminate private holdings in areas where this type of ownership is economically feasible as in colonization area, nor was colonization discouraged. Considering the realities in the Sierra, however, of too many people and too little land, cooperative holdings offer one of the few possible solutions to both the overpopulation and the underproduction of the Sierra.

Even the collective farm with intense cultivation and increased production, however, cannot answer indefinitely the problem of a population rapidly outstripping its available material resources and food supply.

The new structure of society as envisioned by the original Board of Directors of IERAC would consist of three types of agriculturists:

(1) agricultural laborers, employed for salary and now owning land;

(2) empresas, large agricultural enterprises made up of groups of associates including some small, independent landowners;

(3) cooperative workers made up of former huasipungueros and others who received redistributed lands from the State (IERAC). These, because of communal ownership and collective farming would be in a position to compete effectively with the large empresas noted above.

Provided that agrarian reform could achieve these aims, Ecuador would then be provided with a society capable of making progress. The workers in a cooperative would be in a position to compete with the empresas on an equal basis, something that as individuals they could never do.

In addition to the cooperative type of organization, there would also be some "mixed type" tenancies consisting of individuals holding personal titles to parcels of land, but sharing other land, such as pasture, in common. IERAC admitted the need of empresas both for production and as sources of employment for the group of agricultural laborers. It was estimated that at best, landownership could only be provided in the Sierra for 54,000 of the 254,000 families in need. With the withdrawal of the former group, however, from the labor market, it was thought that demand for labor should rise, and salaries and standards of living would automatically go up.

The catch in the above planning is that each step towards economic and social improvement depends upon the implementation of previous steps difficult to control. If industrial development does not increase at a rate much higher than that of the past few years, there will be no jobs for rural migrants to urban areas, and if rural education is not improved,

even a greatly increased industrial sector will not provide work for an illiterate and untrained labor force with nothing to recommend it except need. On paper, the theory looks infallible. That is (1) the reorganization of agriculture into empresas and prosperous cooperatives would produce service industries and other occupations to serve the needs of a developed agricultural community (mechanics, stores, etc.); (2) increased income to cooperative members would result in greater industrial development to meet the new demand. The steps needed, however, to transform an uneducated subsistence farmer into a producer and a consumer are liable to be complicated, time-consuming and costly.

After its reorganization, (from the Instituto de Colonización), IERAC set first priority on the abolishment of the status of huasipunguero. The Law of Agrarian Reform specifies the liquidation of this form of tenancy within twenty months after its passage, and to a large extent, this provision has been carried out, the hacendado having been required to compensate the huasipunguero according to the number of years of his service. Up to ten years of service was rewarded with the ownership of the huasipungo (the small plot of land worked). For service beyond ten years the huasipunguero was entitled to cash compensation for days and hours worked, but only very rarely were records available to indicate the amount of compensation he should have received. Huasipungueros with less than ten years service were required to pay the difference between the value of their service for the number of years they had worked and the ten years required to gain possession of the plot of land, where most had lived all their lives as had their parents and grandparents.

The average size of land awarded for ten years of service to the hacienda was approximately 2.8 hectares, rarely large enough to use the labor of a family, or productive enough to support its members even at a subsistence level. After liquidation of the huasipunguero status, the landowner (patron) no longer felt a paternal obligation to employ all those living on his property even at an average salary of S/6 - S/10 per day. He now can pick and choose his labor force, thus leaving many ex-huasipungueros far worse off than they were before, when they could depend to some extent on the paternalistic attitude of many traditional landowners who might employ 200 to do the work of ten. IERAC is often accused of having caused this situation, whereas, in fact, they were only carrying out the requirements of the law which shortsightedly demanded "freeing" the huasipungueros from their state of peonage without considering what was to become of them after that.

A year and a half after the founding of the agrarian reform program the military junta fell and was replaced by representatives of the oligarchy, the bitterest opponents of agrarian reform. Immediately the budget of IERAC was cut to the point that over half its employees (most working in extension) had to be discharged, and the program was reduced to a fraction of the original plans. The first board of directors of IERAC had recognized the need for education, extension, credit, and technical assistance if any from land distribution was to be effective in the Sierra. They also recognized a harder fact: that there was not a sufficient number of available productive or potentially productive acres to provide for 250,000 families even on a subsistence level. One answer to the problem lay in

more intensive cultivation requiring research and, above all, extension to inform the ex-huasipunguero or an owner of minifundio of new methods, new types of seeds, or other means by which he could increase the yield per acre of his land plot. Following the cut in the IERAC budget, (which has never been made up) extension on any large scale was impossible, as was agricultural credit, two of the basic assumptions of the original plan of action.

Colonization

The answer of the large landowner to the demand for agrarian reform was usually "colonization". The recent history of Latin America presents innumerable examples of colonization plans, most of them total failures, sometimes due to a lack of funding, lack of resources, or lack of land productivity, but primarily to a poor choice of colonists and a failure to anticipate the problems that would arise. There are two points of view regarding the best methods to make colonization work. The traditional point of view claims that colonization cannot be successful without ample advance planning in order to provide all the necessities of life and a bsic culture, i.e., a rural school, a store, an agricultural extension agency, easy transport to market, etc., and insists that colonization plans provide all these items. The other viewpoint stresses the desirability of a plan similar to the Homestead Plan in the United States. That is, a claim could be made to empty, uncultivated lands owned by the State. If after five years of occupation, a house has been built, crops planted and success more or less assured, a clear title to the property would be awarded. The law in Ecuador does give squatters certain

claims to property occupied over a period of time, and many renters or agricultural laborers who might have a subsequent claim to the land (sic).

The Agrarian Reform and Colonization Law gives IERAC administrative responsibility over all state lands and all lands that revert to the State for whatever legal cause, including those left uncultivated for ten consecutive years. There being relatively few state-owned lands in the Sierra, colonization was restricted to areas between the Sierra and the Coast, and the sparsely populated, almost unknown Oriente. The area selected for the implementation of the first colonization plan was Santo Domingo de los Colorados, the site of the first unsuccessful pilot plan of colonization.

Occupying this area were thousands of families living on land to which they held no legal title. IERAC undertook a program of legalization of titles for land squatters who had occupied the land for a minimum number of years, a situation known in Ecuador as "spontaneous colonization". The second responsibility of IERAC in the colonization program was the development of new lands for resettlement of excess population from other areas, a function that obviously required land survey, access roads, extension agricultural credit, and most of all, funds.

Experience thus far with colonization shows clearly that the problem of excess population in the Sierra will not be solved by colonization projects on the Pacific slopes. Most of the settlers of the area come from the coastal provinces, and, although there is a significant seasonal migration from the Sierra to the coast, it is composed mostly of males who work as agricultural laborers four or five months a year. If they remain, they leave a destitute family in the Sierra and are often accused of being a primary cause of delinquency and crime on the coast.

Until the fall of the military junta and the subsequent cutting of IERAC funds, considerable progress had been made in the construction of access roads, in the building of an extension service, construction of rural schools and legalization of titles. In collaboration with the Banco de Fomento, and using an IDB loan, an initial plan of supervised agricultural credit was worked out and implemented to the benefit of some 2000 colonists in the Santo Domingo area. Colonization projects were also planned and started on the slopes of the Andes towards the Oriente which showed greater promise of attracting population from the Sierra.

During the first eighteen months of the IERAC program (1964-1966) 18,877 land titles were delivered to squatters with another 12,099 in process; in the colonization program (new settlers) 7,512 titles to 265,880 hectares were delivered and 8,068 were in process for an additional 254,620 hectares. In the agrarian reform program 132,761 hectares of land were distributed with 220,417 in process.

Achievements and Activities of IERAC

A. Agrarian Reform:

The first project of IERAC involved the "freeing" of the huasipungueros from their status of peonage. From the foundation of IERAC in 1964 to September, 1967 15,344 families made up of 76,720 individuals were relieved of their "precarious tenancy" and given legal possession of 46,500 hectares, an average of 3.0 hectares per family. In this process IERAC acted in conformity with requirements of the Law of Agrarian Reform which aimed at liquidating all forms of precarious tenancy by 1968. An

additional 8,821 families benefited to the extent of 36,727 hectares made possible by processes of expropriations (haciendas of Asistencia Social) and reversions of property.

From 1965-68 IERAC intervened in the distribution of private properties of 16,396 hectares at the request of the owners which are now occupied legally by 669 families.

Progress in reaching goals set for settlement of ex-huasipungueros on former haciendas of Asistencia Social was also indicated.

(1) San Vicente de Pusir (Carchi): Through September, 1967, 502 families received titles to pieces of land on the hacienda. Of this number, 154 are organized in four cooperatives controlling 3,600 hectares of land. Lack of funds, however, has so far presented completion of the anticipated works of infrastructure. Although cut down to a fraction of the original plan, a community center was built with the collaboration of the Andean Mission, studies were completed for four other such centers on the hacienda; topographic measurements were taken of 5,000 hectares; a silo with a capacity of 120 metric tons was built; and some agricultural credit plan extension service made possible a 50% increase in production. With the cooperation of the Andean Mission, 30 housing units were improved and a school was built, and with the assistance of the Ministry of Agriculture, a demonstration farm of 30 hectares was added. See Section on PL 480 Loans which notes a diversion of USAID funds destined for agricultural credit. (Not reproduced in this Annex.)

(2) Hacienda Pesillo (Pichincha/Cotopaxi); The project emphasized works of infrastructure as a means of increasing production and raising the standard of living of the ex-huasipungueros. During the

first year of this project IERAC administered the hacienda. During the second year 80% of the cultivated land was turned over to the two cooperatives. During this time an intensive program of agricultural extension and cooperative promotion was carried on to prepare the former huasipungueros to take over both cultivation and administration. Two cooperatives were organized, Cooperative Atahualpa with 228 members, and Cooperativa Simón Bolívar with about 30 members which received 1,779 and 221 hectares respectively.[1/] The planning for the construction of a community center was completed. Within the cooperative organization a carpenter's shop, a babershop, dressmaker's shop and others are operated by members of the community. With the aid of the cooperative members, offices, laundries and communal baths were built, and a cooperative store was established. Credits to the campesinos consisted of machinery and animals, cattle, horses and hogs.

(3) Tenguel (Guayas): In 1964 IERAC bought the hacienda Tenguel from the United Fruit Company for the sum of S/3,940,000, and has since attempted to solve the many socioeconomic problems of the heterogenous group of inhabitants. Emphasis was placed on cooperative development and through September, 1967, 12 cooperatives with 580 members were organized and received 7,390 hectares of land out of a total of 16,000 on the hacienda. The first pilot plan of agrarian military conscription was carried

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1/ Atahualpa members are all ex-huasipungueros. Cooperativa Simón Bolívar members are mestizos, former employees of the hacienda who do not want to belong to a cooperative made up of "indígenas". This conflict between Indians and the slightly better educated mestizo who rejects the Indian culture and who has collaborated in the exploitation of a social group beneath his own is common everywhere in the Sierra.

out on this property with a company made up of 100 conscripts, all natives of the area. This plan (CAME) attempts to give military training to campesinos simultaneously with agricultural education and instruction in cooperative organization.

(4) Guantug (Cañar): The project is made up of five haciendas with a total extension of 30,000 hectares. Intervention was initiated at the beginning of 1967, and by the end of the year 9,252 hectares had been delivered to 322 families in seven cooperatives. Thirty families of ex-huasipungueros also received 600 hectares. The remainder is planned for distribution to families who have migrated to Cañar for lack of agricultural work and reasons of demographic pressures. The beneficiaries of the project have cooperated in completing works such as access roads and wells. Each family will receive five hectares of agricultural land and thirty hectares of pasture which, in this area is considered a "family size farm".

(5) Zula (Chimborazo): The property, formerly belonging to the Church, consists of six sections with a total of about 16,000 hectares. Beneficiaries will be 237 families of ex-huasipungueros and other landless groups living in the area. The parcelization of the agricultural sector has begun and is estimated to be completed about the middle of 1968. Each family will receive eight hectares of agricultural land and ninety of pasture which is the family size unit in this area.

(6) Hospital Gatazo (adjacent to Zula): The 1,603 hectares of the property will be turned over to 57 families in 1968. Emphasis is planned to be given to cooperative organization and the efficient use of irrigation.

(7) Colta Monjas (Chimborazo): The area of 3,300 hectares will

benefit six groups of campesinos. Since intervention in 1966, 650 hectares of agricultural land have been distributed to 170 beneficiaries. Three hundred fifty hectares are destined for a reforestation project and another 2,300 will be used for communal pasture.

In order to solve the problem of minifundio in the Sierra, future plans of IERAC include programs of:

(1) Social integration - Emphasis will be given to education, hygiene, sanitation etc. to awaken the campesino to a consciousness of his problems and those of the nation. To achieve this goal the cooperation of agencies such as the Ministries of Education, Agriculture, Previsión Social, and Health, the Andean Mission, OIT, and FAO was regarded as essential.

(2) Economic integration - Means by which human and material resources can best be used to increase agricultural production, raise the rural standard of living, and improve the economy of the country are the goals of this phase of the program.

In 1968 a regional development plan is to be effected in the area around Cayambe (Hacienda Pesillo) in which IERAC plans to place 1,000 families on seven haciendas of Asistencia Social with an area of 10,000 hectares. It is hoped that the project will have a national impact which will facilitate similar programs in the future.

B. Colonization

The area of concentration chosen for the first colonization project was Santo Domingo de los Colorados, a center of migration from both the coast and the Sierra. The economic prospects of this region have been

greatly enhanced with the construction of roads to Guayaquil and Quito and those currently under construction linking Santo Domingo-Chone-Bahía and Santo Domingo-Esmeraldas. To develop the area, however, required financing for access roads, surveying and subdividing lots, development of all types of infrastructure, and the building of schools as well as aiding in the organization of marketing and production cooperatives, and planning and implementing a program of supervised agricultural credit.

The International Development Bank authorized a loan of $2,600,000 to IERAC in February, 1964 to aid in the financing of the plan for spontaneous colonization in Santo Domingo. Funds were to be used to complete the construction of access roads, install three community centers, build and equip 20 schools, provide agricultural and housing credit and a broad extension program to an area of about 17,000 km2 occupied in 1964 by 1,600 families.

A report of the activities of IERAC published in El Comercio, January 4, 1968, claimed that from the foundation of the institution in 1964 until September, 1967, 230,820 hectares of land had been surveyed and legalized in favor of 6,400 families. From January to September 1967, 1,008 families received titles to 39,600 hectares of land. It was pointed out that the cut in funds made in 1966 was reflected in the deaccelerated rate of the legalization of land and titles program. The report also noted that the original project of assistance to spontaneous colonization in Santo Domingo contemplated settling 1,600 families on 170,000 hectares. Despite financial problems, however, the project developing the colonization plan in Santo Domingo, 194.5 kilometers of access roads were built, 14.5 more than were included in the original plan, and thirty-four schools

were completed, 14 more than had been projected. Agricultural credit anticipated to be S/25,640,900 exceeded that figure by S/1,552,840 for a total of S/27,193,740 ($1,495,805).[1/]

Much, however, remains to be done.

Plans were also made for colonization in other areas in addition to Santo Domingo.

(1) Valley of the Upano River: This project is considered "in progress" with the financial participation of the IDB and the cooperation of the Centro de Reconversión del Austro in Cuenca and aimed at settling 15,000 families on 268,000 hectares of underdeveloped land in the Oriente.

(2) Valley of the Nangaritza River: This project is still in an advanced "being studied" stage, but was planned for the settlement of 1,500 families on 100,000 hectares. It was hoped that the work on the project could begin in 1968.

(3) Being studied:

(a) Valle de Arapicos, Chiguaza, Yacuipa (Oriente) 200,000 hectares.

(b) Zona Coca, Aguarico, 500,000 has. (Oriente).

(c) Carretera Puerto Ila-Bahía, 150,000 hectares (Coast).

(d) Triangle between Guayllabamba and Blanco Rivers 100,000 hectares.

1/ See "Families Receiving Agricultural Credit", an Analysis of Recommendations on the Agrarian Reform Program in Ecuador. USAID/1966.

C. Centro de Investigaciones y Enseñanza en Reforma Agraria

The center was founded in December, 1966, to train executives and technicians working in the field of agrarian reform. In its first year of operation, six courses, having an average duration of three weeks, were given to 291 participants in five cities in Ecuador. In cooperation with IERAC, the Institute organizes six other courses in various zones of the country which were attended by 167 persons. $165,000 in PL 480 funds were used in the development of the center, the activities of which, however, have been restricted because of political pressure, with emphasis at present being given to "rural development" rather than the hated (by the oligarchy) agrarian reform.

As a means to explain the need for agrarian reform and colonization to all sectors of the public, IERAC published 16 books or pamphlets during 1967.

V. Problems and Criticism of IERAC

IERAC's principal problem from the beginning was lack of financing as provided by the Law of Agrarian Reform. In 1965, the first year of operation, IERAC was assigned 15.9 million sucres from the national budget or about half of what had been approved and anticipated. This was supplemented with 4.6 million sucres as IERAC's share of taxes, 10.6 million earned income from haciendas administered by the institution, and 2.3 million from other ministries with which agreements had been signed. In addition IERAC used 10.4 million from the IDB loan for colonization and 6.1 million of USAID PL 480 funds, a total for 1965 of 49.9 million, or about equal to the $50,000,000 annual figure set in

the law. With the fall of the military junta, however, in March, 1966, IERAC was the first agency to have its funds drastically out, and since then has never received sufficient income to carry out the plans and projects made so optimistically in 1964 (see Graph).

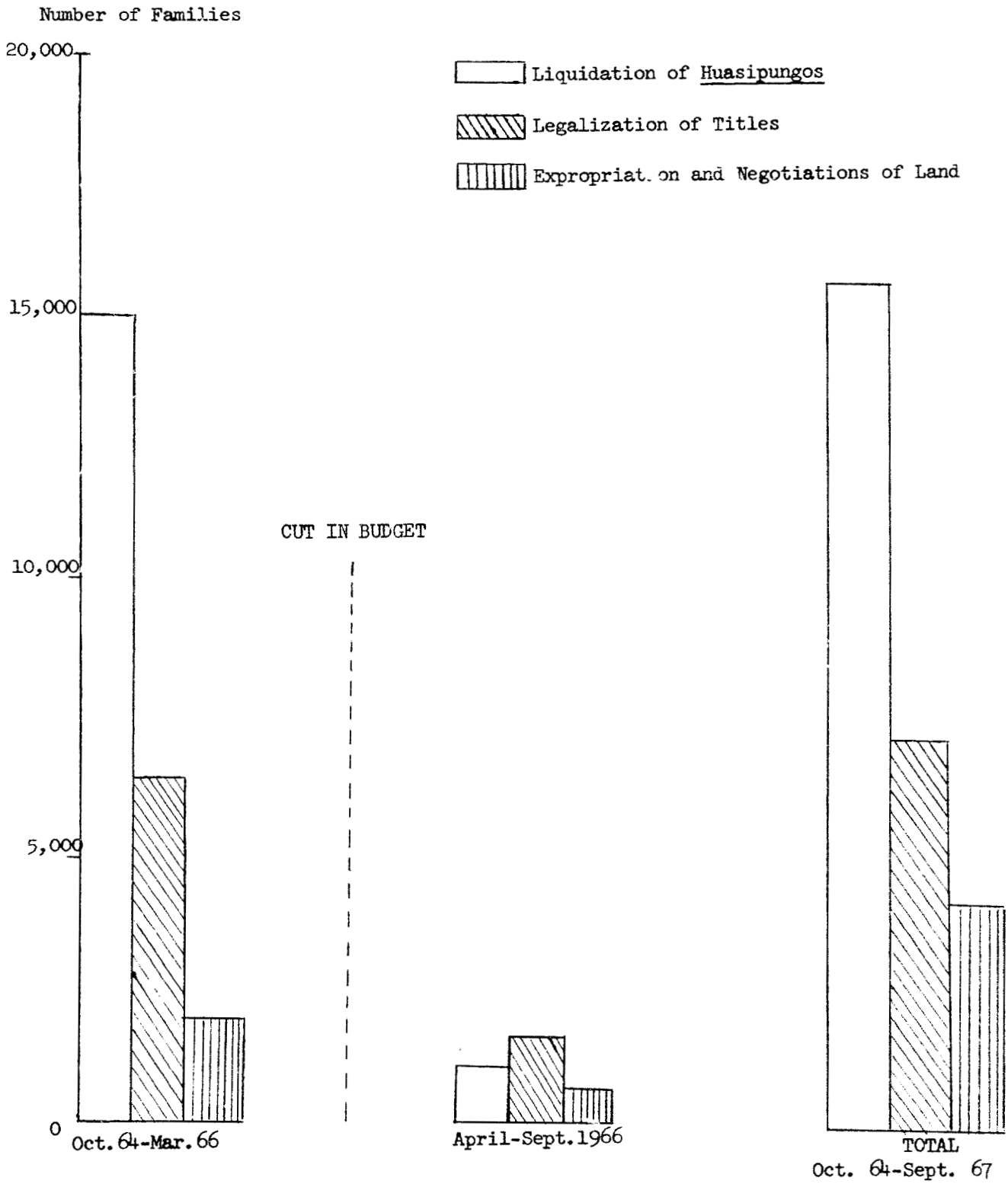
At the time of the USAID evaluation of IERAC in September, 1966, the agency was struggling to meet its program commitments with limited funds. The accomplishments of the program in its first eighteen months, however, and the dedication of its director and personnel were remarkable, and continued USAID support to IERAC, at least in the form of PL 480 funds, was recommended. Only a few weeks after the evaluation was completed, the government changed, and in the light of the new political situation, the director of IERAC resigned. His assistant, who succeded him as director, was forced out after a very short time, and the purpose and direction that had characterized IERAC became weaker and weaker as opposition to the program of agrarian reform strengthened.

Publicity regularly appears in the press announcing IERAC's "granting of titles" or "legalizing land tenancy," but as compared with the first year's accomplishments, these seem small and stopgap.

In January, 1968, a statement was published as the result of a conference of Ecuadorian sociologists, which claimed that agrarian reform had been a fraud and a deception, because in its three years of operation only 3% of the properties larger than 500 hectares in size had been affected, and concluded that, therefore, latifundio remained intact with little change.

The report noted further that even though the degrading status of "precaria" and peonage, as examplified by the huasipunguero, had legally

IERAC PROJECTS BY NUMBER OF FAMILIES BENEFITED



been abolished, the relationship of man to the land had not improved. Instead, additional social and economic problems had been created, the most serious being the inability of the ex-huasipunguero to survive on the produce of his plot of land and the extreme difficulty of finding outside employment.

The only authentic reform that could be noted after three years was in the resettlement of the ex-huasipungueros and other marginal farmers on haciendas expropriated from Asistencia Social, and even on these, the complementary programs and works planned could not be financed.

Some superficial changes have been made which, although not satisfying even minimum aspiration for moderate reform, have avoided the basic problem of the need for a dramatic structural social change. The adherents of agrarian reform claim that "real" reform must include, 1) the expropriation of unused, badly cultivated, or oversized land holdings, and 2) the provision of complementary resources to achieve a genuine land revolution not to be confused with rural development, colonization or agricultural improvement. It is argued that this revolution must be massive, rapid, and radical, capable of destroying simultaneously latifundio and the class of latifundistas, and breaking the vicious circle that props up the present decadent agricultural structure and political power.

Only with a revolution of this kind is it thought possible to end the conditions of latifundio and minifundio which have produced fatal consequences in the form of, 1) economic stagnation, 2) social rigidity perpetuating class division, and 3) illiteracy, unemployment, malnutrition, and misery.

Technical assistance is admitted to be essential to a successful change in land tenancy and social structure, but agricultural credit, housing, education and infrastructure as well as campesino organization must also be provided for agrarian reform to succeed.

The claim of the Sierra landowners that there is not sufficient land in the Sierra left to implement agrarian reform is countered by pointing out the number of hectares of uncultivated or badly used land characteristic of the large haciendas, the number of properties exceeding in size any reasonable limits, and the number of hectares owned by by State, the Church, banks and schools, or, that is, belonging to institutions which have nothing to do with developing agriculture.

Liberals claim that the State has the obligation to take the necessary steps to end an unjust and irrational situation as do the governing classes upon whom the ultimate solution depends, if the consequences of a crushing process are to be avoided.

Attention is often called to the minimum effectivity of IERAC, by pointing out the limited number of changes effected in three years.

Lands Expropriated or Intervened by IERAC, 1964-1967

Owner	Number of Holdings	Size	Number of Families Benefited
State	13	52,912	3,410
Church	2	68,000	1,660
Private	24	106,773	6,722
Total	39	227,685	11,792

Of these 39 properties,

22 out of 24 held privately were over 500 hectares in size,

2 out of 2 church properties were over 500 hectares in size,

9 out of 13 state-owned properties were over 500 hectares in size.

Thirty-three properties out of a total of 1,369 over 500 hectares in size were expropriated or intervened representing only 2.4% of all properties of that size. This, it is stated, is not agrarian reform.

Not only the sociologists have attached the agrarian reform program. A statement published in El Comercio January 6, 1968, and attributed to the Christian Democratic Party, commented:

"It is a fact that while the problems multiply and it becomes more vital to integrate the minifundio and destroy the latifundio, the advisors of the Ministry of Agriculture (IERAC) occupy temselves with transforming agrarian reform into colonization toward the coast and the Oriente in violation of the aim of the development plan which placed a priority on remedying the underdevelopment of the inter-Andean Sierra."

Other published criticism come from the Cámara de Agricultura (representing the large landowners).1/

"The prolific programs of agricultural education detailed in the General Development Plan have not been carried out, (By IERAC)".... "and the majority of landowners have NEVER received a visit from a technician nor had the benefit of his advice."

Many more examples could be cited, but it is sufficient to say that duringits lifetime IERAC has been battered by criticisms of all kinds

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1/ El Comercio, November 25, 1967.

from all directions. Primarily, however, the operations of the institution have been threatened from two directions, first from the large landholders who, although they hesitate to condemn the concept of land reform, refuse to apply it to themselves and accuse IERAC of being "communistic" in its program. Secondly, IERAC is under attack from extremist groups led by the communists who claim the organization is a "tool of the oligarchy and the latifundistas." It can hardly be both.

Since his selection as interim president, President Arosemena has consistently avoided the issue of agrarian reform, preferring to follow the line of the oligarchy and talk about "spontaneous colonization" instead. On March 12, however, the President met with the directors of IERAC, and surprisingly accused them of impeding agrarian reform, basing his statements on claims presented to him by the member of the board representing the Federation of Indians, a communist dominated group. The complaints were little more than a resumé of the same recurrent problems, and there seemed little point in taking them to the president for his personal intervention, particularly as they could have been discussed in regular board meetings.

In President Arosemena's statement to the press, he expressed his opposition to anything which hinders just land distribution, explaining that his party supports agrarian reform as an "imperative of civilization both for social justice and to avoid social upheavals," thus reversing many of his statements made in the past.

The same day that President Arosemena made his accusations against the management of IERAC, a new IDB loan to IERAC in the amount of $3,000,000 was announced which was specified to "finance the program of resettlement on haciendas San Vicente de Pusir, Pesillo, and Tenguel." Actually, IDB representatives informed USAID that this statement was in error and that none of the funds would go to Tenguel which had received a private loan, and that IDB money would be used to expropriate and develop other Asistencia haciendas as well as continue work on the old projects.

Following the President's accusations, there ensued a chain of charges and countercharges involving most of the personnel of IERAC, the director of the Department of Agrarian Reform, who had been singled out for presidential criticism, defending himself in the columns of the newspapers three separate times.

The Comercio, in an editorial a few days later, critized the IERAC directors of "buck passing" and trying to sidestep agrarian reform, and termed them "indifferent and lacking in dynamism," accusing them of having paralyzed the program.

Despite the Agrarian Reform Director's defense of himself and his policies in the face of President Arosemena's criticism, the Board of Directors of IERAC announced on April 17, 1968, that he had been removed from his position along with the program director, both of whom blamed their dismissal on the president's failure to support agrarian reform, and the machinations of the Federation of Indians (FEI) representative on the board, an effective squeeze carried out by the extreme leftists and the conservative landowners, groups which, although acting from

different motives, are determined to paralyze and destroy the agrarian reform movement.

On May 30, 1968, the organization of employees of IERAC made a direct appeal to the president that the members of the board of directors be requested to resign, asking at the same time for an official evaluation of IERAC and the stabilization of the economic situation of the institution. The director of IERAC was accused of negligence and of having allowed the assets of IERAC to be attached as the result of a legal battle over the price of an expropriated hacienda. The petition added that "agrarian reform has been paralyzed since the present executives were appointed to office." In the IERAC board meeting which followed, the FEI representative was quick to side with the employees, saying that "IERAC must be an institution dedicated to social transformation and renovation rather than a bureaucratic and political apparatus."

By June 4, 1968 the resignation of the director was accepted, and the resignation of the director of the Department of Colonization was announced by the press, which, combined with the earlier departures of the director of the Department of Agrarian Reform and the program director left IERAC practically without a board of directors. (It is said, however, that the Director of Colonization refused to resign and his pictures are still appearing in newspapers as board member). One of the few who survived the power struggle of the last few months, however, was the communist representative of FEI who now finds himself in an extremely strong position."

The foregoing report was written by Dr. Lisa Lekis who evaluated AID operations in Ecuador under contract with the USAID Mission 1967 and 1968.

SUBJECT: AID Support for Land Reform in Ecuador - Supplementary Materials for Spring Review of Land Reform.

REFERENCE: AIDTO CIRCULAR A-875 (Appendix C)

1. From time to time AID has provided support for the Government of Ecuador's land reform program and related activities. The following table reflects PL-480 support to IERAC from January 1964 to December 1967:

PL-480 Loans to IERAC and Predecessor Organizations for Colonization and Agrarian Reform

			Sucres
1/6/64	Colonization Esmeraldas		2,662,500
1/4/64	"	Santo Domingo	6,926,200
4/27/64	Training of Technical Personnel		426,300
4/29/64	Roads and bridge construction		565,000
7/9/64	Cooperatives		1,000,000
12/17/64	Colonization Pesillo		6,050,000
3/18/66	"	San Vicente de Pusir	5,505,100
6/10/66	"	Pesillo	6,500,000
12/29/67	Investigation Center		1,500,000
12/29/67	Cooperatives		1,000,000
			31,955,100

SOURCE: USAID Controller's Office.

In addition to the foregoing, small amounts of grant funds were provided to support various IERAC activities.

2. In general, it might be said that at the time IERAC was receiving support from the Government of Ecuador, significant additional AID support was not necessary, given the limited capacity of the new organization to absorb more funds, and once the government's support was withdrawn, no amount of AID support would have been meaningful. More recently, a 1968 Inter-American Development Bank loan to IERAC was deauthorized because of the Ecuadorian Government's failure to provide agreed-upon counterpart funds. It seems likely that any AID effort along these lines would have met a similar fate. In short, while AID has always supported the principle of land reform, the forces at work have been beyond AID's capacity to influence significantly.

3. Other activities of AID in the past have contributed to land distribution, although until recently programs have not focused on land acquisition as such. Mission programs having a relation to agricultural land redistribution include the agriculture cooperative project, support for the Cooperative Bank, and other programs tending to strengthen the institutional structure of the agricultural sector.

4. In 1969, the AID Mission developed a new pilot project funded with a $3.6 million loan to facilitate land distribution through private market mechanisms. The project is an outgrowth of the Mission's concern with the problem of land distribution and discouragement over the near-term prospects for the Ecuadorian Government's agrarian reform program.

5. Agrarian reform is ordinarily considered an effort requiring the expropriation of lands and massive government intervention in order to achieve the desired results of land redistribution. There surely is little doubt that when a government land reform program with solid political backing and adequate financing can be carried out, such an approach provides the most efficient vehicle for achieving land redistribution objectives. But such conditions do not presently exist in Ecuador, and it seems unlikely that they will at any time in the near future. In the view of the Ecuador AID Mission, there is a middle ground between the absence of any land redistribution and a fully developed, government-sponsored program. In the belief that useful results can be achieved by facilitating private purchases of land, the Mission addressed itself to developing a project which would be responsive to the need for land reform while taking fully into account the practical constraints of the current political situation.

6. The purpose of the project is to facilitate the private sale of agricultural lands to cooperatives capable of carrying out effective farming enterprise given access to land, production credit and technical assistance, but which are unable under present conditions to secure necessary credit on reasonable terms. The philosoply underlying the program is that appropriately assisted, free-market, private-enterprise activities can be the basis for reform of the land tenure structure, thus eliminating politically traumatic recourse to expropriation or other noncensensual forms of land title transfer. The project provides a mechanism under which campesino cooperatives can purchase land and obtain credit and technical assistance in a "package" subproject similar to a supervised agricultural credit operation. The Central Bank of Ecuador will control financing operations through a trust fund and will coordinate the program. A farm plan will be developed for each subproject, setting out all the requirements of an effective economic enterprise. In accordance with the farm plan, land will be purchased, with payment guaranteed to the seller, production credit will be provided, by the trust fund through participating financial institutions (PFI) and technical assistance will be provided by Ecuadorian extension personnel directly responsible to the Central Bank's project coordinator.

7. Land purchase will be accomplished through a three-party arrangement under which the seller transfers title to the cooperative, the cooperative agrees to pay the purchase price less downpayment to the PFI over a period of 5 to 10 years and the PFI agrees to pay the seller on the basis of the amortization schedule of the payment of the obligation by the cooperative to PFI. In this fashion, the seller finances the transaction in exchange for a bank obligation to pay on the agreed terms rather than the cooperative's obligation. In the event that a cooperative defaults on its obligation to pay the PFI for land purchased under the program, the PFI will have the right to claim against the trust fund for the amount paid by the PFI to the seller of the land in accordance with the contract between the seller and the PFI, provided USAID is satisfied that the PFI has, in good faith, made all efforts appropriate under the circumstances to realize on available security.

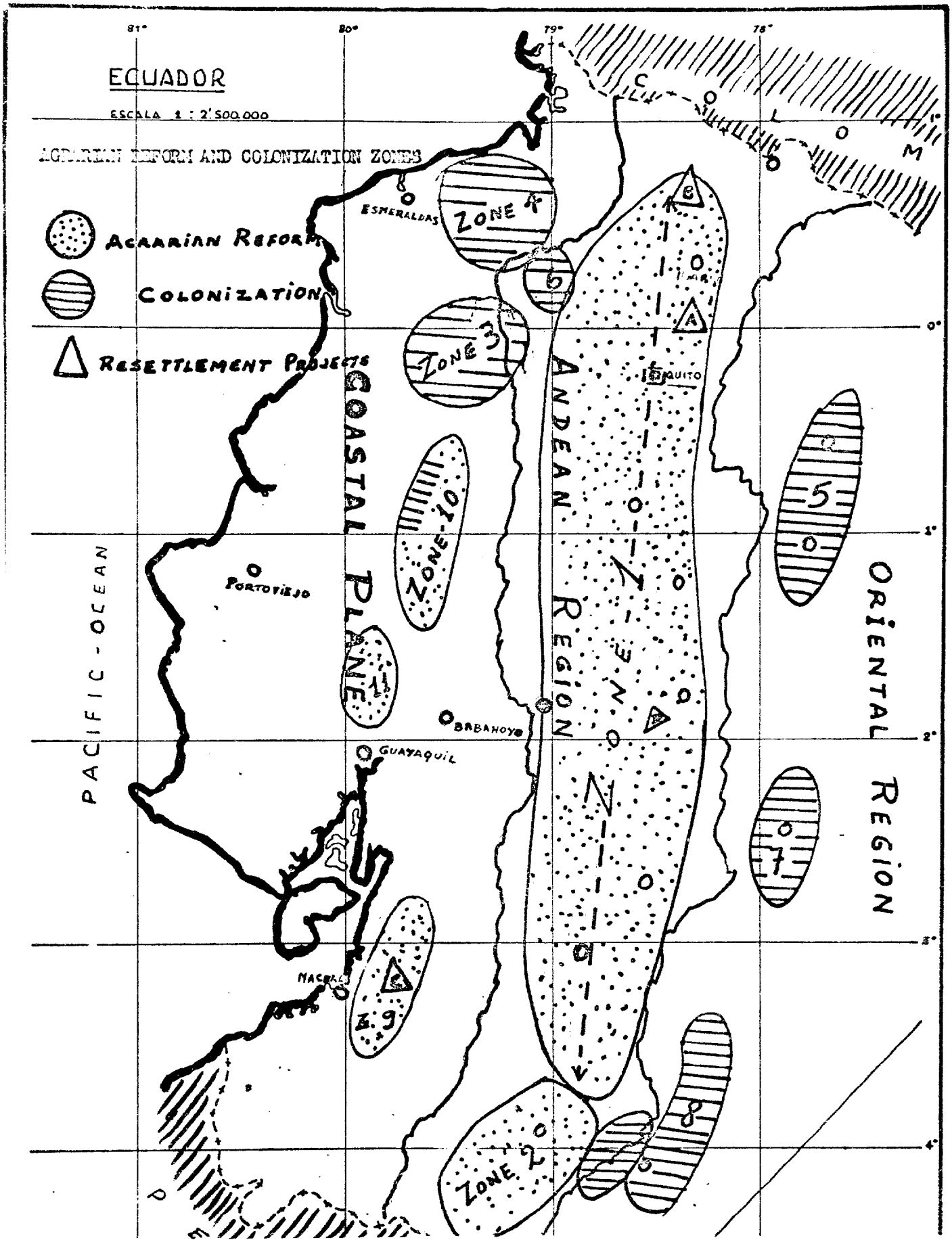
8. Production credit will be provided through the PFI in an amount consistent with the farm plan. Ecuadorian technical personnel will provide, and the cooperative will agree to utilize, technical assistance in accordance with arrangements set out in the farm plan.

9. Responsibility for the formation and qualification of cooperatives will lie in the first instance with USAID through

its CLUSA contract, but every effort will be made to involve Ecuadorian organizations in the cooperative formation effort so that AID involvement can be phased out shortly. The loan will also provide commodities required by the Ministry of Agriculture in carrying out its technical assistance responsibilities under the program and a revolving fund for technical assistance costs to be replenished by user charges.

10. The project will be maintained in so far as possible as a self-financing operation.

11. USAID/E considers this pilot project to be a rather interesting departure in AID efforts relating to land redistribution. It is hoped that the progress of this project will be closely watched and that useful experience will be obtained on the basis of which the project can be expanded within Ecuador and hopefully adapted for use in other countries as well.



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