Report No. PN-AAJ-866

AGRARIAN REFORM

IN EL SALVADOR

Presented to the

Agency for International Development

San Salvador, El Salvador

under Indefinite Quantity Contract

No. AID/SOD/PDC-C-0399

December, 1981

Additional copies may be obtained from

Office of Development Information and Utilization
Room 509 - State Annex 14
Agency for International Development
Washington, D.C. 20523
(703) 235-9215

AGRARIAN REFORM

IN EL SALVADOR

Presented to the

Agency for International Development

San Salvador, El Salvador

under Indefinite Quantity Contract

No. AID/SOD/PDC-C-0399

by

Checchi and Company

1730 Rhode Island Ave. N. W.

Washington, D. C. 20036

December, 1981

On March 6, 1980, the Government of El Salvador (GOES) launched an Agrarian Reform. The present report is a summary of what has occurred since that step was taken. It also contains evaluative material and recommendations.

The study was requested by Congressman Clarence Long of Maryland, Chairman of the Sub-Committee on Foreign Operations of the House of Representatives. The study was funded by AID and was made by a team assembled by Checchi and Company, an economic consulting firm located in Washington, D.C. Members of the study team were:

Don Paarlberg, Chief of Party and Agricultural Economist

Peter M. Cody, Development Economist

Ronald J. Ivey, Development Economist and Cooperative Specialist

Dr. Paarlberg is presently Professor Emeritus at Purdue University having held the following posts: Assistant Secretary of Agriculture, Special Assistant to the President, Hillenbrand Professor of Agricultural Economics at Purdue, Director of Agricultural Economics (USDA), and Food for Peace Coordinator.

Mr. Cody is the former AID Mission Director to the Philippines, Ecuador, and Paraguay. He also served as the Director of the Operations Appraisal Staff in Washington, D.C., as the AID Representative to Lebanon, and in a series of posts with increasing responsibility within AID.

Mr. Ivey is Senior Development Consultant with Checchi and Company. He has consulted to cooperative programs throughout Central America, Peru, the Navajo Reservation, the southern United States and Colorado, and has carried

out program evaluations throughout Latin America.

More detailed resumes are included in Appendix A of the report.

CONTENTS

SECTION		PAGE
	Executive Summary	i
I.	Summary and Conclusions	1
II.	Background and History	8
III.	Phase I	19
IV.	Phase II	88
V.	Decree 207	95
VI.	Support For Agrarian Reform	131
VII.	Agrarian Reform: Strength and Limitations	137
VIII.	Procedure	143
IX.	References	147

Appendix A: Resumes of Study Team

Appendix B: Present Status: Hacienda Copapayo, A Short Case History

EXECUTIVE SUMMARY

There are three myths about the Agrarian Reform in El Salvador. One is put forward by the political right, one by the left, and one by the center. All have enough truth to make them credible and enough error to make them dangerous.

The myth of the right is that the Agrarian Reform, which sets up agricultural cooperatives to manage former private haciendas through collective ownership, is a first step toward Communism, and is to be followed by state farms fashioned after the pattern of the Soviet Union.

The myth of the left is that the Agrarian Reform is a facade put forward by the right-wing government in order to placate the liberals and that at the first opportunity things will return to their former state.

The myth of the center is that the Agrarian Reform will overcome the problem of poverty in the rural areas.

These myths are all oversimplifications. The truth is far more complex.

The new farm cooperatives being set up have in them substantial group activity, it is true. But they also have elements of capitalistic enterprise including ownership, competition and market orientation. Capability for self-management is being developed. The Decree 207 program converts renters and share-croppers to landowners, surely a step away from Communism.

The left-wing myth, which alleges that the Land Reform is a smoke screen behind which a reactionary government gathers power to return to former things, is lacking in support. No doubt there are some reactionaries in government

who remain unreconstructed. But the effort of the Salvadoran government to implement the Agrarian Reform was convincing to the study team. Many government people have lost their lives in the administration of the Reform. The Salvadoran's government efforts to establish the Reform were great enough so that a frequently heard comment was "The Reform is irreversible".

Unfortunately, the myth of the center, that the Agrarian Reform will overcome rural poverty, also has in it elements of error. While the Reform works effectively toward the stated goals (greater equity, more jobs, increased agricultural production) it cannot of itself overcome the underemployment problem in rural areas. Rapid population increase and an inadequate rate of growth in non-farm jobs are problems of a different nature, with which land reform can cope only in limited fashion.

The Salvadoran effort is not merely a Land Reform, limited to tenure arrangements. Rather, it is an Agrarian Reform, concerned with a whole range of rural institutions. It broadens the country's economic, social and political base. For generations, indeed for centuries, small elite groups held overwhelming power. In a country which was predominantly agricultural, land holding was the base of that power, which exercised influence in the governmental and military sectors as well as in agriculture. For Phase I of the Agrarian Reform, land once held by 282 persons is being conveyed to 34,658 cooperative memebers.[1/] The land-holding base thus has the prospect of being broadened by a factor of more than 100. This cannot fail to provide opportunities of an economic, social and political kind to people long denied these advantages.

The Agrarian Reform is succeeding despite the violence in the country. Though it is related to and affected by the confrontation between the govern-

---

1/ This figure will increase as new members are admitted into the cooperatives on Phase I farms.

ment and the insurgents, the Agrarian Reform is not at the heart of that controversy.

Agricultural production in the Reform Sector has been increased slightly. (By the Reform Sector is meant the Phase I farms. Phase III or decree 207 farms are not reported separately.) Success in the Reform Sector is the more remarkable in that it came while parts of the country were experiencing civil disorder. The favorable production record in the Reform Sector is attributed at least in part to the regard for legal process, the supplying of necessary input items, the building of managerial capability and the supplying of security in troubled areas. USAID loans, grants, and counsel, while overshadowed by the far greater effort of the Salvadoran government, have been a significant help.

For the country as a whole, agricultural production has declined, particularly for the export crops, coffee and cotton. This is largely the result of insurgency and of uncertainty regarding Phase II of the Reform.

The main thrust of the Salvadoran Agrarian Reform appears appropriate to the country's goals and capabilities.

Recommendations, which relate to various operational entities are:

- Support strongly the acquisition of land by those legally eligible to receive it.
- Speed up the granting of titles to the new landowners.
- Accelerate compensation to former owners.
- Provide incentives that will channel into private domestic investment the compensation funds going to former owners.
- Encourage agricultural enterprises that are labor-intensive.
- Avoid doctrinaire answers to the issue of individual versus group farming.

- Relieve uncertainty regarding implementation of the Second Phase of the Reform.
- Improve the decision-making capability of the new cooperatives.
- Expedite the growth of non-farm jobs in rural areas.
- Continue and strengthen the family planning program.

An Agrarian Reform is not a short-time venture. The effort, which has been well-begun, will have to continue or it will stagnate. The major difference between successful and unsuccessful land reforms is found not in the zeal with which they are launched but in the perseverance with which they are continued. Patience is perhaps the main attribute of a successful Reform.

But one thing seems clear. Whatever parties or persons exercise political power in the decades ahead, the Agrarian Reform of 1980 and 1981 will loom large in the country's agricultural institutions. Changes are occurring and the study team is convinced that the changes are for the better.

I. SUMMARY AND CONCLUSIONS

In summary form, findings are as follows:

1. The Agrarian Reform is irreversible. At least in Phase I it is proceeding reasonably well despite civil disorder in certain areas. Decree 207, which started later and encounters greater resistance, is proceeding less well. The Reform gives promise, albeit somewhat limited, of working toward the stated objectives: greater equity, increased employment and increased production. However, the committment must be continued and the momentum maintained if this promise is to be fulfilled.
2. The Agrarian Reform by itself can not provide the total solution to the problem of unemployment in the rural areas. There are not enough jobs to meet current needs and the problem is growing. Agriculture, even if made more efficient and labor intensive, can meet only a portion of the growing need. The problem is exacerbated by the continuing high rate of population growth and lack of adequate efforts to slow it down.
3. On the average, as evidenced by official crop reports and as confirmed by the team's observation, agricultural production is being maintained or increased on Phase I farms. The crop harvested on such farms in the fall and winter of 1981-82 will probably prove to be up from a year earlier. The lagging sectors are Phase II farms (primarily because of their uncertain status), and farms lying in combat zones. At least 26 Phase I farms have been completely abandoned; others are found in organizational disarray. The disruption factor is likely to reduce production on Phase I farms by about 10 percent below where it otherwise would be.
4. There is strong need for short-term credit to meet production costs. Such credit is being supplied, though Decree 207 farmers do not appear to

be acquiring as much as could be effectively used. There is a heavy interest subsidy. Liberal credit terms are appropriate during the early stages of the Reform. However, there is danger that abundant credit at subsidized rates might, if continued, lead to unwise use of resources and obligate borrowers beyond reasonable prospects of repayment.

5. Investment credit is needed to restore capital items removed by former owners and subsidized credit is appropriate for that purpose. However, once these needs have been met, subsidized investment credit could lead to a capital-intensive agriculture while the need is that farms be labor-intensive.

6. There was much talk of corruption at all levels but specific dates, names, or places were difficult to obtain. A special point of vulnerability is the purchase and sale of inputs and outputs on ISTA farms.

7. Many reformed campesinos are not yet sure that they are landowners. They consider themselves to be somewhere between landowners on the one hand and renters of FINATA or colonos of ISTA on the other. Comprehension varies from farm to farm; estimates of those who think themselves owners ranged from 40 to 70 percent among the Phase I cooperative members.

8. The most important benefit perceived by beneficiaries of Agrarian Reform is their increased employment. An almost universal feeling is that treatment is more humane under the new system.

9. There is nothing in the Agrarian Reform that will adversely affect land use, as compared with previous cultural practices. There may be some improvement. The good lands are likely to be used more intensively, but considerable pressure will continue on steep erosive land. Some erosive land is being taken out of tilled crops and returned to forest use.

10. The team found little direct evidence of UCS or AIFLD in Phase I. Considerably greater activity was detected in promotional work for Decree 207. The need for and the difficulty of promotional work is no doubt greater in areas which the team could not visit. There were considerable differences in the claims as to role and effectiveness between UCS/AIFLD on the one hand and FINATA on the other which the team could only partially explore.

11. Some cooperatives with hired management have been doing well. Additional managerial skills exist in the country and could be marshalled in assisting the cooperatives in decision-making.

12. Agrarian Reform Bonds, when issued, will bear 6 percent interest. If inflation continues there is strong likelihood that they will have little value.

13. Excessive indebtedness, comprised of original emergency loans, outstanding production credit and accrued rental credit, creates a danger to the Agrarian Reform program.

14. Members of cooperatives in Phase I generally prefer to operate the farms as production units, taking advantage of the existing infrastructure and the cultivation practices for certain crops. Few members appear to favor breaking the farms into individual parcels. This seems to be true largely because the crops grown on Phase I farms are those traditionally raised on large fields with group labor, and these groups have been socially organized as work units for very long periods of time. Hence cooperatives involve little change from past work practices. There is also risk reduction in cooperative enterprise which will facilitate experimentation with non-traditional crops.

15. Only two Phase I land titles have been delivered to date. Apparently another 18-20 titles to Phase I farms are scheduled to be delivered

shortly. The team was unable to judge what degree of the difficulty comes respectively from: indecision, lack of resources, and excessive legality. The Agrarian Reform could be given strong forward thrust by the granting of final titles under both Phase I and Decree 207.

16. A number of ISTA technicians appear not well qualified for co-management or large enterprises. A number of farms have part-time technicians or none at all.

17. Several of the Phase I farms which the team saw are ready for self-management. There may be others. Banks and other agencies can assist in identifying those which could manage themselves.

18. Of short-term credit extended to Phase I farms, 75 percent was repaid according to loan terms. There have been no write-offs to date and the banks consider that all loans should be re-paid, including the remainder of emergency loans. A special credit fund has been set up to handle delinquent production credit loans.

19. Associates in the cooperatives will receive great capital benefits. Acquired at a bargain price, this property is to be amortized with a fixed annual payment over a long period at a low interest rate. These benefits cannot be sold, however.

20. Phase I farms are likely to become more labor intensive than the <u>haciendas</u> that preceded them. Hence, there is likelihood of more jobs and greater agricultural production. The production of basic grains is likely to increase, particularly on Decree 207 farms.

21. Yields per acre of cotton, coffee, and cane on Phase I farms average higher than those for the country as a whole.

22. Sixty-four owners have received compensation in Phase I in an amount of $34.4 million in bond certificates and $3.2 million in cash.

23. An important perception of the Decree 207 beneficiaries is they now have land security. They will not have to move from parcel to parcel as has been the practice for many in the past.

24. Approximately 13,000 provisional Decree 207 titles have been delivered to date. FINATA plans to deliver 3,000 final titles by the end of 1981.

25. The military gave strong support to the intervention of farms under Phase I. There appears to be no similar military committment under Decree 207.

26. There are no ready avenues of redress by Decree 207 campesinos whose former owners oppose the Reform.

27. Lack of confidence between the farm worker organizations and the implementing agencies constitutes a barrier to successful implementation of the program.

28. Phase II accounts for a substantial portion of total production. Uncertainty regarding its implementation needs to be resolved if production is to be maintained.

Recommendations

1. Accelerate granting titles for both Phase I and Decree 207 in order to achieve Reform goals.

2. Accelerate the compensation process; move quickly to resolve the current bottleneck in the bond issuance process.

3. Confer real value on the Agrarian Reform Bonds by making them eligible for conversion into loan guarantees for investment purposes, as the law permits. Expeditious use of this alternative would put to work entrepreneurial resources available in the country.

4. Distinguish between the transitional phase of the Reform, when liberal credit terms are necessary, and the years ahead when heavily subsidized credit might lead to a capital-intensive agriculture, discourage financial discipline and become burdensome.

5. Level out technical assistance programs so that other sectors as well as Phase I receive needed help.

6. Strengthen and continue family planning and adult literacy efforts.

7. Once the Phase I farms achieve a measure of economic stability, utilize those farms as locations for establishing agribusinesses to create additional rural employment opportunities.

8. After a time, if specific Phase I cooperatives are encountering extreme organizational difficulties, give the members the opportunity to indicate whether they want to continue common ownership of the cooperative or to break the land up into individual plots. Phase I cooperative members should be provided with certificates of cooperative ownership, similar to shares of stock.

9. A portion of the original emergency production credits provided through ISTA have been assumed as social costs of the agrarian reform. Continuous vigilance should be given to the remaining outstanding production credits, rolling these over as necessary, but with an eye on eventual collection.

10. Encourage payment of dividends to cooperative members in instances where profits have been generated. This would help differentiate the co-op from hacienda operation. Encourage cooperatives to hire and pay for competent management and supporting services. Management should have incentives for production and profits--including the prospect of bonus

based on net earnings. There is such talent in the country. It may be leaving and should be mobilized soon.

11. Encourage self-management on a selective basis providing more flexibility than appears to be available at present.

12. Hire adequate numbers of ISTA technicians and promotors. Evaluate performance of present technicians and replace poor ones.

13. Encourage cooperatives to become profitable before making large investments in social programs.

14. Support the Decree 207 program, particularly through the military, in such a way as to give the beneficiaries confidence in applying for land ownership.

15. For Decree 207, in addition to stronger support by the military, speeding up titling, and paying compensation to former owners:

    Extend for a year the cut-off date for 207 applications.

    Develop a better promotion and information program involving workers organizations in a more coordinated manner, giving recognition for accomplishment.

16. Review the possibility of implementing Phase II on a voluntary, gradual basis in proportion to ISTA resources rather than renounce it or proceed by expropriation. Announce a date certain at which time haciendas in excess of 100 hectares would be intervened. In the meantime, permit owners to enter their farms in the Agrarian Reform or sell off tracts so as to get size below the intervention level, taking care to see that such transfers are in good faith. This would be a mid-course between making Phase II program punitive and declaring it void.

II. BACKGROUND AND HISTORY

El Salvador is the smallest mainland nation of the Western Hemisphere. It is located on the Pacific Coast of Central America. Its width averages about 60 miles; its maximum length is 160 miles, making it about the size of Massachusetts. It is bounded on the west by Guatemala, on the north by Honduras, on the east, across the Gulf of Fonseca, by Nicaragua, and on the south by the Pacific Ocean. It lies about 14 degrees north of the equator and has a pleasant equable climate. The country is well-watered, with rainfall averaging 72 inches per year.

The land is of volcanic origin, and is generally fertile. Topography is varied. Volcanic cones, most of which are dormant, reach to 6000 feet. Rolling hills composed of ash deposits are interspersed with flat alluvial basins.

Some 2,104,000 hectares of the total land area of El Salvador are in farms, about 70 percent of the land surface. Of the farmlands, 45 percent is in cultivated crops and 38 percent is in pasture. The balance, while within farm boundaries, is not in agricultural use. Despite the rough topography, a high percentage of the land surface is in farms, testifying to the intense pressure of people on the land.

Most important in terms of food and people are the "basic grains". These are corn, beans, sorghum and rice. Together they take up 60 percent of the tilled acreage. Corn alone occupies 36 percent. It grows mostly on steep slopes, though some is grown on level land. The basic grains are the crops of subsistence farmers and small commercial operators, many of whom have been renters. There is considerable double-cropping and intercropping.

Coffee is the mainstay of commercial agriculture and of the economy. It is grown on farms of various sizes. In 1980 coffee grew on 23 percent of the tilled acreage and provided 60 percent of the country's export earnings. It is grown mainly across the higher reaches of El Salvador's central volcanic chain.

Cotton has become important only in the past 25 years. It is grown mostly on the coastal lowland strip. Salvadoran per acre yields of cotton are among the highest in the world. Cotton production has fluctuated widely. In 1980 it was grown on 7 percent of the cultivated land. Most of the cotton is exported.

Sugar cane,also an export crop, is grown throughout the central highlands. It is typically produced on large farms. Cane occupies about 4 percent of the country's tilled acreage.

Cattle, both for milk and for beef, are produced on the lush pastures in the litoral region and also on the poorer lands in the hilly north, where tilled crops do not yield well. Livestock uses 38 percent of the farmland and provides 9 percent of the gross product.

In general, the level of technology on Salvadoran farms is relatively high, with the resulting value of farm production per acre being the highest reported for Latin America.

El Salvador has the highest population density in Latin America, with more than 570 people per square mile. The population has quadrupled during the past 60 years. Improvements in health and the control of disease have reduced Salvadoran mortality rates while fertility rates have only recently begun to decline. In 1977 the annual rate of population increase was estimated at 3.1 percent. Total population was approximately 4.67 million in 1979.

The population is generally dispersed throughout the country, being most dense in the central valleys. About 60 percent of the population is rural. Compared with other countries in Latin America, El Salvador has a relatively low proportion of its people living in urban areas and a relatively high percentage of its urban population living in small towns.

Historic Tenure Arrangements

The Agrarian Reform of March 1980 can be understood only with reference to the historic land tenure system. In pre-Columbian times the tenure system was communal, as was generally the case for the New World. Spanish land grants, called encomiendas, superimposed an ownership pattern on this communal system. In 1881, communal forms of land tenure were abolished. Large landed estates developed, primarily producing coffee for export. This became the dominant system, and was adapted to the production of sugar and cotton, also for export. The estates ranged from modest size to as large as 10,000 hectares. On each lived anywhere from a few families to many hundreds. These families, living within the boundaries of the estate, were known as colonos. Colonos provided the labor for which the compensation traditionally was a small plot of ground called a milpa on which they could raise their food. The landowner provided such social services as could be had, and, in a fashion, supplied support for the ill, the elderly and the infirm. It was almost a moneyless system. In later years, some wages were paid.

In addition to the large estates, there was an assortment of medium sized farms. There also were micro-plots belonging to small-holders. Land rental was common, especially on the medium and small farms, with the landlord receiving cash, a share of the crop, labor, or a combination of these.

It was a system that resulted in great disparity of income, amenities and social standing. Less than 2 percent of the population possessed one third of the income. (Montes, Segundo. P.470). Six Salvadoran families held more land than 133,000 small farmers. Literacy in the rural areas was only 30 percent. Infant mortality was 60 per thousand, three times as great as in the United States. Life expectancy was 58 years, compared with 72 years in the U.S. Housing was poor by most criteria, and health services were severely limited.

Prominent in this system were the landless laborers. These were people who lived in the rural areas but had no access to land, either through ownership, rental or colono status. They worked on nearby farms at time of peak labor needs particularly during harvest. They also had some non-farm employment and occasionally some entrepreneurial income. Their numbers were variously estimated. The number of families of landless laborers has been put at 150,000. (Int. Security, p.60) A 1978 Study estimated El Salvador's agricultural laborers to comprise 27 percent of the rural population. (Esman, Milton, Cornell University.)

Underemployment was widespread. More than 50 percent of the rural labor force was unemployed more than two-thirds of the year. (Colindres, p.472).

Protests and Early Efforts at Land Reform

Disparity of income, landlessness, and underemployment, aggravated by the Great Depression, led to a campesino uprising in 1932. (Leo Grande, p.30). The movement had Marxist overtones. The Salvadoran Army, under the command of General Maximiliano Hernández Martínez, put down the revolt in a decisive manner. Loss of life among the campesinos has been variously esti-

mated at from 7,000 to 30,000. (Anderson, 1971.) To some people the 1932 strategy for dealing with rural unrest was the appropriate model for subsequent use.

The increasing population pressed heavily on available land. Under the prevailing tenure system the owners of the large estates generally provided homes and small plots for the increasing number of colonos, though the resulting labor supply far exceeded all but peak seasonal needs.

In 1965, legislation was passed in an effort to abolish the colono system. The law required wages to be paid, and fixed a legal minimum. This made the carrying of surplus labor very costly to the big estates, whereas previously it had been very cheap. Consequently, the owners divested themselves of unneeded labor; they evicted the excess families from the haciendas. (White, p.123). The displaced families found what home they could, building themselves houses of various sorts along roads or on the outskirts of villages. These former colonos were hired during the harvest season, a few months each year, usually on the farms where they had lived. Some went to the cities, but lack of urban skills, limited education and a shortage of industrial jobs made this a difficult alternative.

The result of this well-intentioned law was a great increase in the numbers of landless rural poor. The official census of 1971 noted a drop in the number of colonos from 55,769 to 17,019 in a ten year period. (Burke, p. 66). A United Nations study reported that the number of landless (that is people without access to land either by owning, renting or through colono status) increased from 12 percent to 40 percent of the rural population between 1960 and 1975. (Burke, p.476). The U.S. Agency for International Development reported, taking into account not just the farm workers but the

families dependent on them, that "close to 740,000 people, about 35 percent of El Salvador's rural poor, depend exclusively on the wages of agricultural labor. Most, when employed, earn less than the official minimum daily wage of 8.16 colones" (U.S.$3.26) (Agrarian Reform Sector, Strategy Paper, p. 1).

During the years since the land problem became acute, the government had stood ready to purchase estates that were offered to it and settle people on them. Thus some 82,000 hectares had been acquired. The land had been distributed to 14,563 direct beneficiaries and their families, usually the people who had previously lived the farms in colono status. Most of this land was in estates, 106 in number. These units were set up as cooperatives, with government taking a strong role in their management. The responsible government agency was the Salvadoran Institute of Agrarian Transformation, (ISTA). This agency was formed in 1965, the descendent of several previously existing land reform organizations. Its charge was to raise the social and economic level of small farmers through the provision of land, technical assistance, credit and other benefits, as well as to increase agricultural production and productivity in general. These efforts at agrarian reform, however, were considered too mild and reached too few people to satisfy the felt need for change.

Events of October 15, 1979 and After

On October 15, 1979, progressive Salvadoran military officers and civilians overthrew the authoritarian regime of General Carlos Humberto Romero and ousted nearly 100 conservative military officers.

Civil disorder, which had long been a problem in El Salvador, escalated following the coup. It is not the purpose of this report to deal with the

violence and the insurgency that has troubled the country in recent years, other that to consider these matters as they relate to the viability of the agrarian reform.

In January 1980, this initial Junta was dissolved because it could neither implement reforms nor deal with increasing violence. Adjustments were made in the political base, dropping some support from the left and picking up some from the right, achieving a net gain in the process, which permitted the Government to act. The new Junta, comprising the Christian Democrats and the military, agreed on a three part program, of which agrarian reform was the central component. The others were nationalization of the banking system and nationalization of export trade in agricultural commodities.

On March 6, 1980, the new Junta issued Decrees 153 and 154, proclaiming an Agrarian Reform. In Phase I of this reform, estates in excess of 500 hectares were expropriated. Owners were allowed to reserve from 100 to 150 hectares depending on productivity. Expropriated owners were to be compensated in bonds in an amount determined by the declared value of the landholder's property based on tax returns from 1976 to 1977. (This value was generally less than market value, reflecting the widespread practise of minimizing tax liability.)

On these newly intervened properties, the Salvadoran Insitute of Agrarian Transformation was charged with setting up cooperative agricultural associations whose members generally were the permanent resident laborers and the salaried employees on the expropriated farms. These cooperatives were to acquire title to the land. And, they were to pay to the government an amount generally

equal to the compensation paid by the government to the landowners. The amortization period varied from 20 to 30 years.

A second initiative was also announced on March 6, but has not yet been implemented. Called Phase II, it affected lands within the range of 100 hectares and 500 hectares. Under Phase II, former owners were also to be compensated and have opportunity to reserve land for themselves. Cooperatives similar to those of Phase I were contemplated.

On April 28, 1980, the Salvadoran government issued Decree 207, which is sometimes referred to as "Phase III", or simply "207". This proclamation affected lands of any size which at the time of the Decree were rented or tilled by someone other than the owner. (Cooperatives were excluded.) It converted the renter into an owner of his parcel. A ceiling of 7 hectares was placed on the amount of land a renter might thus acquire. Former owners were to be compensated for the expropriated properties. New owners, the former renters, were to pay for their land. The law gave the new owners favorable terms: a land price generally below the market, a 30-year repayment period, and a low rate of interest.

Excluded from the Reform were owner-operated farms of less than 100 hectares. These constitute a varied group of subsistence farms, part-time farms and moderate sized commercial units. Together, the excluded farms constitute about half the country's farms and make up about 50 percent of the land in farms.

The scope of the announced reforms is shown in Exhibit II-1.

EXHIBIT II-1

EL SALVADOR: ESTIMATED AREA AND FARMS AFFECTED BY THE LAND REFORM PROCESS

(Hectares)

	PHASE I (Actual)	PHASE II (Potential)	DECREE 207 (Potential)
Size of ownership holding subject by law to intervention (hectares)	500 and over	100 to 500	Properties of any size (1) which are indirectly exploited
Area affected by the Land Reform			
- Total (hectares)	223,806	342,877 (2)	178,056
- As percent of total farm area	12.1	18.5	9.6
Farms affected by the Land Reform			
- Number	326	1,739	150,000 (3)
- Average size (hectares)	686	197	1.2

Source: FINATA, ISTA and MINPLAN

(1) The maximum area by law which an individual farmer beneficiary may acquire is 17.29 acres. However, this limit is not applicable to agricultural cooperatives, community campesino associations, or other agricultural workers' association registered in the Ministry of Agriculture. The average size of parcel to which beneficiaries will receive title to is estimated to be 3.46 acres.

(2) This total will be reduced because of the foermer land owner's reserve right to retain 247.10 to 370.65 acres, depending on the quality of land retained.

(3) This is the number of beneficiaries; as they may rent more than one plot, the total number of parcels farmed may considerably exceed the number of beneficiaries.

Quoted from El Salvador: The Agrarian Reform Program, USAID/El Salvador, Rural Development Division, June 25, 1981

The contemplated changes in tenure were more than land reform; they constituted an agrarian reform. Not only were changes envisioned in the relationship of the man to the land; various changes were initiated in rural institutions. The social, economic, and political base of the country was to be broadened. Stepped up programs of primary education, health services, family planning and adult literacy were to be launched.

The Salvadoran reform differed from the reforms of other countries. It differed from the reforms of communistic countries such as the Soviet Union, Cuba, and the People's Republic of China in that the Salvadoran Reform proposed to compensate previous owners and to permit them to reserve land for themselves. It also proposed to retain substantial elements of entrepreneurship, ownership and individual decision-making. It differed from the reforms in Japan and other countries on the Western rim of the Pacific in that the Salvadoran reform was initiated by a free people rather than being imposed from without. The Salvadoran Reform bore recognizable features of reforms instituted in other countries of Latin America, such as Mexico and Peru.

Some agrarian reforms have revolutionary zeal as almost their sole component. The Salvadoran reform had this element but had also concern for efficient production and for legal process. The Salvadoran Reform was substantial but not sweeping. The elements of it that have been implemented comprise about one-fourth of the farm area. Including Phase II which has not been put into effect, the reform would be applied to about half the farm units and half the area.

The Salvadoran Reform was not monolithic. It accomodated the historical inclination of some farmers to work together, and of others to work individually. It adapted itself to both large and small farms, and to traditional as well as modern agriculture.

The announced reform was applauded by progressive elements in the center

of the political spectrum who felt there was need for change and who thought the degree of change was of such magnitude as to make a real difference and yet not exceed the government's administrative capacity or carry it beyond the range of credibility. The reform was resisted, naturally, by those on the extreme right because it struck at their power and privilege. It was resisted also by those from the revolutionary left because it threatened their ability to attract peasant support.

III. PHASE I

The Beginning: Intervention

On March 6, 1980, after considerable last minute preparation, a large part of which remained secret, the GOES announced through Decree 154 that Phase I of Land Reform Program would proceed. On that and the following day, ninety-six haciendas were 'intervened'. Being intervened physically occurred as ISTA technicians accompanied by a truckload or so of soldiers arrived at the haciendas. The ISTA technicians announced to the colonos and other workers that land reform had proceeded, that the farm was to be theirs, that there were general rules to be followed, and that a production cooperative was to be formed that day. The soldiers were there to enforce the action in case there was opposition from the owner. In many instances, the owner was absent from the hacienda, and the team's interviews revealed only one case of violence or resistance.

The campesinos interviewed recalled their surprise that this was actually taking place. They had heard of land reform, but never expected to experience it. Most farmers expressed their happiness with what was happening. However, one group remembered that some among them had cried given the eviction and expropriation of the owner who had apparently been very kind to them. That group expressed reluctance at first to "accept goods that were stolen". On most farms the beneficiaries, despite their bewilderment, elected officers for newly formed cooperatives. Some of these governing boards have remained generally intact during the first 18 months of Phase I.

The beneficiaries also assisted the ISTA technicians to inventory the assets of the haciendas, to prevent decapitalization by the owner and to

serve as a basis for his compensation. Decapitalization or the removal of assets, became somewhat a problem. One cooperative interviewed told the study team that the owner had advance warning of the intervention. During the month of February he had ordered his colonos to load up all livestock and equipment on trucks so he could cart them off for sale elsewhere.

Once the initial jolt of intervention was over, the soldiers withdrew leaving the ISTA technician to begin a period of co-management with the newly elected Board of Directors. Soldiers are stationed on several haciendas at the request of the cooperatives.

The bulk of the interventions were concluded by the end of May 1980. At that point, the most serious obstacle to be faced was to get crops planted so that the production year would not be lost. An emergency fund of about US$48 million was made available to ISTA by the Central Bank for lending to the Phase I cooperatives. Despite a considerable lack of planning the funds were lent, and the cooperatives proceeded to plant crops much as they had under the previous owner. According to the team's observations, the 1980-81 crop cycle ended with approximately a ten percent drop in production. Compared with other agrarian reforms implemented in Latin America, this relatively smooth takeover resulted in very little apparent disruption in the productive process on these farms. This is not to say that there are no problems--considerable problems remain to be faced yet before Phase I can be termed a success. However, as one senior international advisor put it: "Land reform is going along better than it should be, given the circumstances". Between March 1980 and October 1981, 327 different farms had been intervened, or offered for sale to ISTA.

The Major Points in Decrees 153 and 154

Preamble of Decree 153

Decree 153 stated that the GOES would take measures for "equitable distribution of national wealth, at the same time increasing the gross national product". One measure was the implementation of an Agrarian Reform, "ensuring the right to private property within a communal framework". It noted that the previously existing agrarian reform law did not "satisfy the demands of the destitute majority of this country, their situation being the result of having a single privileged class."

It noted that Decree 43 forbade the transfer or partition of rural land holdings, thus establishing "the necessary basis for promotion of a policy change within the land tenure system."

Basic Provisions

These articles stated that the existing latifundia system would be replaced by a more just system; and acknowledged and guaranteed that private property could be held within a "communal framework".

Effect on Landholdings and Other Property

These articles established the scope of Phase I and Phase II of the land reform program. All land, without regard to crops, location, productivity, tenure system, soil quality or any other viable, which belonged to one or more individuals, estates, or associations (corporations) and which exceeded 100 hectares (247 acres) for land classes I-IV and 150 hectares (370 acres) for land classes V through VII, would be affected by this law. In essence, these land limits provided for the reserve rights or the amount of land which could be retained by the former owner. Cooperatives or associations were exempt from the reform.

Acquisition

The decree clearly set forth the acquisition process. As described above, when the ISTA technicians and soldiers 'intervened' the farm, they were to personally contact the owner to tell him that his property was subject to land reform. If the owner was absent, an announcement was to have been placed in the Official Gazette publicly advising him of the intervention. If the farm were less than 500 hectares, the owner had eight days to respond to ISTA as to whether or not he was willing to sell his property to the Government. If he did not wish to sell it, he could file a claim to have it returned to him. If it were greater than 500 hectares, ISTA proceeded immediately to expropriate the property. A deed was prepared transferring the property to ISTA. The deed was subsequently recorded in the National Land Records Office.

Evaluation and Compensation

The land value was based upon its estimated worth as declared by the owner in his net worth tax declaration for 1976-77. Given this value, payment would be made by 25 percent cash and 75 percent agrarian reform bonds for farms having less than 500 hectares, and 100 percent agrarian reform bonds for property over 500 hectares. The owner had the right to compensation for livestock, equipment, machinery and industrial installations. He also could request compensation for capital improvements made since 1977.

Co-management

A form of management of these farms was prescribed and termed co-management. Co-management generally meant that ISTA personnel would be working on the cooperative to guarantee the achievement of land reform objectives, continuance of production and productivity, and care and maintenance of the

acquired property. Co-management is to stay in effect until the cooperative had achieved the ability to management itself, or self-management.

Allocation of the Property

All land and improvements were to be 'allocated' to agricultural cooperatives, peasant cooperatives and organizations of agricultural workers registered in the Ministry of Agriculture. Persons eligible to belong to these associations or cooperatives were peasants who did not own the land but who were colonos (tenant farmers), paid workers, leaseholders, and secondary leaseholders on intervened properties. (The definition generally became "the people who actually worked the land.")

Income from the operations of these cooperatives and organizations was to be used for the following purposes, in order of their priority:

a) Production costs;

b) Fullfilment of basic needs of the families of the cooperative or association members; and

c) Payment of the agrarian reform debt (the amount the Government had paid to the former owner for his land.)

If there were surplus funds, it was to be used for: savings for members, provision of community social benefits, and development of other productive projects.

Decree 154

Primarily this Decree stated that the agrarian reform program would proceed on March 6, 1980, with the intervention of all farms having greater than 500 hectares (1,235 acres). (Annexes II A and B of El Salvador Agrarian Reform Sector, Strategy Paper.)

Characteristics of the Appropriated Farms

Geographic Description, Numbers and Area

Since March 1980, 326 properties have been intervened or accepted for purchase with a land area of approximately 223,806 hectares (552,640 acres). Total agricultural lands in the country equals 1,855,530 hectares. Therefore, intervened Phase I properties comprise approximately 12.1 percent of total farm land.

There were farms intervened in every department. However, there were concentrations of these farms. In Exhibit III-1 it is seen that the greatest numbers of these farms were in the Departments of La Libertad (54), Usulután (46), and La Paz (43). In terms of land area, the size of the farms in certain departments changed the ranking slightly: La Libertad (16.5 percent of intervened land area); Sonsonate (12.5 percent); and Usulután (11.8 percent). Three departments had few interventions due to the limited number of large *haciendas* operating in the more arid northern areas: Chalatenango (9); Cuscatlán (3) and Morazán (2).

Proportion of Farm Production

Recently developed production statistics based on 315 Phase I *haciendas* and the rest of the agricultural sector delineates share of output by major crops and a comparison of the relative importance of the 'reformed' sector to the non-reformed sector can be made. These data are presented in Exhibit III-2 .

EXHIBIT III-1

Geographic Location of Phase I Farms

Department	No. of Farms	Percentage	Total Hectares	Total Acres	Percentage
Ahuachapán	27	8.3	14,807	36,574	6.2
Santa Ana	28	8.6	19,349	47,793	8.1
Sonsonate	34	10.4	29,667	73,278	12.5
La Libertad	54	16.5	39,278	97,017	16.5
Chalatenango	9	2.8	7,484	18,486	3.2
San Salvador	14	4.3	13,566	33,509	5.7
Cuscatlán	3	.9	3,443	8,504	1.4
La Paz	43	13.1	26,172	64,646	11.0
Cabañas	2	.6	729	1,801	.3
San Vicente	27	8.3	17,123	42,295	7.2
Usulután	46	14.1	28,168	69,576	11.8
San Miguel	20	6.1	20,327	50,209	8.6
Morazán	2	.6	1,298	3,206	.6
La Unión	17	5.4	16,175	39,953	6.9
Total	326	100.0	237,586 1/	586,847 1/	100.0

1/ Totals do not match current official figures because of unresolved reserve rights, lands to be transferred to FINATA, etc.

Source: ISTA Planning Division.

Exhibit III - 2

Farm Production by Reformed [1/] and

Non-Reformed Sectors

Crop	Reformed Sector Production (%)	Non-Reformed Sector Production (%)
Coffee	12.8	87.2
Cotton	38.2	61.8
Sugar Cane	53.4	46.6
Corn	8.7	91.3
Sorghum	6.6	93.4
Beans	10.0	90.0
Rice	17.0	83.0
Agro-industrial Crops	21.5	78.5

[1/] Reformed sector refers to Phase I farms only.

Source: MAG/DGEA, "Anuario de Estadisticas Agropecuaries 1980-81"; ISTA, "El Proceso de Reforma Agraria en El Salvador, July 31, 1981."

It can be seen by these statistics that Phase I of the Reform has the greatest concentration in cotton and sugar cane, crops which lend themselves to hacienda-type operations. It will be noted below that the primary production of the Phase II farms is in coffee, and Phase III small farmers primarily grow basic grains.

Average Farm Size and Range

Data concerning average farm sizes are important to understanding the scale of operations, the managerial requirements, and the impact of the land reform. Phase I applied only to properties exceeding 500 hectares. However,

there were many exceptions; 136 properties less than 500 hectares (1235 acres) are now included in Phase I. In fact, 20 were less than 100 hectares (247 acres). Some Phase I farms are less than 500 hectares because the owner owned several properties totalling more than 500 hectares. In those cases, all of the owner's properties were intervened. Also, at the time of intervention, exact hectarages were not always known. Several properties in the 470 to 499 hectare range were intervened and were returned to the owners, once the exact land size was known. Those not returned to the owners apparently were offered for sale to ISTA.

Exhibit III-3 provides data regarding average intervened farm sizes and minimum and maximum farm sizes by department. The most salient data are:

Average Intervened Farm Size	686 has. (1,694 acres)
Maximum Intervened Farm Size	5,428 has. (13,407 acres)
Minimum Intervened Farm Size	15 has. (36 acres)

The overall impression is that Phase I farms are a group of very large scale operations, and the managerial talent required to plan and coordinate activities will be considerable. As for the smaller properties, Decree 842 allows ISTA to parcel them out among individual farmers rather than developing cooperatives to farm them as a unit.

EXHIBIT III-3

Phase I Average and Ranges of Farm Sizes

Department	Average Farm Sizes Has.	Average Farm Sizes Acres	Range Maximum (Has.)	Range Minimum (Has.)	Range Maximum (Acres)	Range Minimum (Acres)
Ahuachapán	548	1,355	2,284	15	5,641	36
Santa Ana	691	1,706	5,428	38	13,407	94
Sonsonate	873	2,155	2,527	98.1	6,242	242
La Libertad	727	1,797	2,727	63	6,736	156
Chalatenango	831	2,054	2,299	165	5,679	408
San Salvador	969	2,394	4,736	55	11,698	136
Cuscatlán	1,147	2,835	2,719	307	6,716	758
La Paz	609	1,503	3,981	73	9,833	180
Cabañas	364.6	901	647	82	1,598	203
San Vicente	634.2	1,566	1,293	31	3,194	77
Usulután	612	1,513	1,912	63	4,722	156
San Miguel	1,016	2,510	3,329	20	8,223	49
Morazán	649	1,603	833	465	2,058	1,149
La Unión	898	2,220	2,982	173	7,365	427
El Salvador	686	1,694	5,428	15	13,407	36

Level of Technology

As noted above, the level of technology on many of these farms appears to be very high. Cooperatives on intervened farms are recipients of the technology package (and entrepreneurial momentum) created by the former owners. Without trying to generalize our observations to all operations, but to convey an impression of the level of technology existing among these intervened farms, the team noted the following discrete, observed examples of technological applications:

- caged layers with automatic watering devices
- automatic egg weighing equipment
- tractors, plows, disks, planters
- repair shops with welders and full line of tools
- milking parlors
- cotton trailers
- rented spray planes for cotton areas
- coffee output that in the past has commanded premium prices in the world market
- fish farms with underground water supply lines and valves
- feed mills, pit silos
- coffee depulpers (beneficios) and drying yards
- trucks
- okra sorting operation

The team's observation is that the majority of these haciendas were not traditional in the sense of pre-reform haciendas in Peru or Mexico. Only about ten of the Phase I farms would be considered in the traditional

category. There existed relatively sophisticated agricultural and livestock operations, supported by considerable infrastructure, equipment and machinery.

Reserve Rights Compensation and Titling

Following intervention of the farms, ISTA is the owner of the properties until such time that the title is transferred to the cooperative operating the farm. Most of the cooperative boards interviewed knew little regarding the title transfer process. In some cases, they did know whether or not the former owner had received his reserve right and/or compensation.

ISTA's Legal Department handles the compensation and titling process. The following rather lengthy process was pursued.

Owner Identification

The former owner of the property was given the opportunity to establish that he was the rightful owner and, therefore, eligible to receive the reserve right and compensation. There have been several cases of disputed ownership.

Reserve rights

The owner of intervened land was entitled to retain a portion of it to continue farm o erations. This entitlement was referred to as his 'reserve right'. This practice has been used in several Latin American land reforms to recognize, in part, the property right of the owner and to stimulate an intensive use of the land.

The determination of reserve rights are established in the following manner:

a) The owner has 12 months from intervention to file a claim;

b) The owner files a claim indicating the lands and assets he would like to retain;

c) The cooperative indicates its concurrence with the ex-owner or its alternate proposal;

d) ISTA's Board of Directors acts as final arbitrator, reconciling differences between owner and cooperative, approving a final binding definition of reserve rights;

e) Appeals by previous owners are presented to the ISTA Board of Directors;

f) All final definitions of reserve rights require on-site inspections to determine quality of land; equitable division of farmlands and assets required to create two independent, viable farm units with access to roads, water utilities, etc; and delimit the physical boundaries of the reserve.

In some cases, the owner, having alternative economic activities or other reasons, has not chosen to exercise his reserve right. However, the team's field visits revealed that some cases where the owner exercised the right are still not resolved more than 18 months after the farm was intervened.

In the case of disputed reserve rights, ISTA tries to subdivide so the reserve right will contain the same proportion of soil types as the rest of the farm. This would seem to complicate the process unduly.

Given the team's interviews and these various complexities, one would suspect that the determination of reserve rights has been partly responsible for the delay in delivering the property titles to the cooperatives. The data presented below in Exhibit III-4 tend to demonstrate otherwise. The status of only six properties remains to be determined, although 35 additional owners could still elect to receive their reserve rights.

Exhibit III - 4

Reserve Right Status

September 31, 1981

Reserves not Solicited	Reserves Solicited	Forfeited after soliciting	Approved And Delivered	Approved Not yet Delivered	Being Determined
142 1/	171	48	60	57	6

Source: ISTA Legal Division.

Determination of Property Value

In order to establish compensation and the agrarian debt (the cooperative's mortgage amount), a value was placed on land, improvements, machinery, equipment, livestock, and industrial installations. Many owners had grossly undervalued their property on their 1976/77 tax returns (one reportedly had his land valued at US$126 per hectare.) One respondent estimated these valuations to average 50 to 70 percent of the market value of the property. Others grossly overvalued their property to increase its value as a bank loan guarantee.

The owner could also make claims for capital improvements made after 1977. In each case a field inspection had to be made to determine whether the improvement existed and matched the documents which had been presented as proof.

ISTA Board of Director Approval

Once the value was established and documented, the file was presented to the ISTA Board for approval.

1/ Thirty-five of these owners could still request their reserve rights as 12 months have not elapsed since intervention.

Compensation

Types and Status

One of the most ubiquitous myths concerning the Salvadoran agrarian reform program is that none of the owners have been compensated. This is not true. However, there have been delays in the process and not all former owners are satisfied with the situation.

Depending upon land classifications and improvements, bonds are issued for different maturities: Series A for 20 years; Series B, 25 years; Series C, 30 years. Series A bonds are being given to efficient operations; Series C to underutilized or rented properties. As the decree regarding such bonds has only recently been issued by the GOES, provisional bond certificates have been issued which are intended to have the same value and utility as Agrarian Reform Bonds.

Livestock equipment and machinery are compensated with Series A Preferential bonds which have a five-year maturity.

Former owners of intervened properties of less than 500 hectares are paid 25 percent of real estate value in cash and 75 percent in bonds. One hundred percent of the livestock value is compensated in cash.

An owner who voluntarily wanted to sell his property to ISTA was compensated through issuance of bonds in the amount of 100 percent of total property value.

Upon ISTA Board approval, the Central Bank was directed to make compensation. If the property was free of all liens and claims, the property owner was directly compensated. If the property was subject to liens, the bank which was the largest lienholder received the compensation to liquidate its own and all other claims.

Several complications in the process have been resolved through Decree 843 (October 29, 1981) which stated that banks having received compensation must proceed immediately to liquidate the claims. Banks had received compensation, but were delaying the compensation to continue to charge former owners interest on their outstanding mortgages or loans.

Presently, a severe lack of cash is holding up compensation to former owners in the cases where cash is required. The 1982 GOES budget does provide for all interest payments due and for compensation due to the former owners.

As of October 1981, the following compensation had been made to owners of 64 properties:

Cash	₡ 8,031.434	US$ 3,212,573
Taxes	79,814	31,925
Provisional Bond Certificates:		
Series A Preferred	8,725,871	3,490,348
Series A	62,379,500	24,951,800
Series B	7,262,900	2,905,160
Series C	7,426,900	2,970,760
Grand Total	₡ 93,906,419	US$ 37,562,567

No U.S. AID funds have been used for compensation. We found it noteworthy that the GOES has provided $3.2 million of its funds for owner compensation. It is also notable that the bulk of the owners have been compensated in Series A bonds indicating the ISTA decision that those operations were run efficiently.

Uses for the Bonds

One respondent noted that bond issuance obviously reduced the need for large cash outlays on the part of government and, perhaps more importantly, "reduced the opportunities for capital flight". In Decree 220 issued on May 9, 1980, a listing of various uses of the Agrarian Reform Bonds was made in order to enhance their acceptability. All interest and capital represented by the bonds were made exempt from taxation. Capital gains from the sale of these bonds are also exempted as long as these gains are re-invested in productive or strategic enterprises. The following uses were listed:

1. Acceptance at 90 percent of the nominal value for payment of custom duties, direct of other taxes.
2. Acceptance of expired coupons at their nominal value for all kind of taxes.
3. Acceptance at their nominal value for inheritance and gift taxes, or to put up bail.
4. Acceptance as guarantee for financing by national financial institutions of industrial, agro-industrial, agro-chemical or rural housing activities. A percentage of the nominal value of bonds in the case of guarantees is to be established by the Monetary Junta.

This decree also enables the GOES to sell the bonds to raise capital. At present, no market exists for such bonds in El Salvador. Decree 220 authorized the issuance of ₡610 million in Agrarian Reform Bonds.

At present, there appears to be a state of great indecision concerning the fate and use of these bonds. The present delay makes it appear to some that the GOES may take the property without compensation.

the fate and use of these bonds. The present delay makes it appear to some that the GOES may take the property without compensation.

Interest and Amortization

The GOES must pay 6 percent on outstanding bond issues. Interest on presently outstanding issues will exceed US$2 million annually. ISTA officials expressed concern over their ability to pay the interest because most cooperatives have not been informed of their Agrarian Reform debt amount and thus there has been almost no income with which to pay this interest.

Exhibit III-5 demonstrates the amortization plan for these bonds. Only the Series A Preferential Bonds will be amortized in the year of maturity. The other bonds will be amortized, following a grace period of 10 to 20 years, in installments over the remainder of the bond's term. This is apparently planned to reduce the GOES' cash outflow during any one year.

There is considerable pressure building up to have the Government issue the actual bonds. The indications are that former owners would prefer to transfer the capital represented by these bonds into other enterprises. Holding these 6 percent bonds in an inflationary environment of 13 to 15 percent [1/] means that the real value of these bonds will be vastly reduced even before the grace period is over.

Documentation and Final Negotiations

Once the former owner has been compensated, the amount of agrarian debt established, and land transfer documents and a co-management agreement prepared, the Board of Directors of the cooperative is called in for final negotiations and execution of the land transfer and co-management documents.

[1/] General consumer price index increase for the 12-month period ending in July 1981 was 13.2 percent.

EXHIBIT III-5

TABLA DE AMORTIZACION

FECHAS	SERIE "A" PREFERENTES (5 AÑOS)	SERIE "A" (20 AÑOS)	SERIE "B" (25 AÑOS)	SERIE "C" (30 AÑOS)	TOTAL
19/5/1981					
19/5/1982					
19/5/1983					
19/5/1984					
19/5/1985	₡ 61.000.000.				₡ 61.000.000.
19/5/1986					
19/5/1987					
19/5/1988					
19/5/1989					
19/5/1990		₡ 26.360.000.			" 26.360.000.
19/5/1991		" 26.870.000.			" 26.870.000.
19/5/1992		" 26.870.000.			" 26.870.000.
19/5/1993		" 26.870.000.			" 26.870.000.
19/5/1994		" 26.870.000.			" 26.870.000.
19/5/1995		" 27.310.000.			" 27.310.000.
19/5/1996		" 27.310.000.			" 27.310.000.
19/5/1997		" 27.310.000.			" 27.310.000.
19/5/1998		" 27.310.000.			" 27.310.000.
19/5/1999		" 89.460.000.			" 89.460.000.
19/5/2000		" 89.460.000.			" 89.460.000.
19/5/2001			₡ 6.500.000.	₡ 9.400.000.	" 15.900.000.
19/5/2002			" 6.500.000.	" 9.400.000.	" 15.900.000.
19/5/2003			" 6.500.000.	" 9.400.000.	" 15.900.000.
19/5/2004			" 6.500.000.	" 9.400.000.	" 15.900.000.
19/5/2005			" 7.000.000.	" 9.400.000.	" 16.400.000.
19/5/2006				" 9.400.000.	" 9.400.000.
19/5/2007				" 9.400.000.	" 9.400.000.
19/5/2008				" 9.400.000.	" 9.400.000.
19/5/2009				" 9.400.000.	" 9.400.000.
19/5/2010				" 9.400.000.	" 9.400.000.
	₡ 61.000.000.	₡422.000.000.	₡33.000.000.	₡94.000.000.	₡610.000.000.

Once executed, the land transfer documents are registered in the National Land Records.

Only two Phase I cooperatives, Haciendas Melara and Santa Clara (Sonsonate), have received their titles to date with an additional 18 to 20 in process. The study team views the titling process as an extreme bottleneck, and one with explosive ramifications. The Legal Department pointed out that it is new, having been in operation since only March 1981. Furthermore, the staff was small with only seven lawyers and seven law students to handle a virtual avalanche of legalities. Procurement of additional personnel was prevented by a governmental hiring freeze. Efforts were underway to form a new department, the Division of Land Acquisition and Titling, to more fully focus on the Phase I properties. The planned output is three titles per week.

The study team was neither encouraged nor impressed by the activities of ISTA's Legal Department. Efforts must be made to accelerate the output of this Department. Lack of resolution of titling and compensation bottlenecks has caused grave results in other land reform programs. Failure to provide compensation hardens the opposition of former landowners.

Despite the perception that land reform is not reversible, it will be far less reversible when the cooperatives legally hold title to the land they farm. Cooperative members, when queried regarding their feelings regarding ownership, admitted that large numbers among them do not feel at all like owners of the land. This is very understandable as they have seen no plausible proof of a change of ownership.

Credit

Nationalization of Banks

When the Christian Democrat Party joined the military to form the

Revolutionary Junta of Government, one of its conditions, besides the implementation of agrarian reform and control of external commerce, was nationalization of banks in the country. The Nationalization Law (Decree 158) created a mixed banking system with the government holding no less than 51 percent of each nationalized bank or credit institution. Decree 159 effected the intervention of the banks, and the naming of managers of each by the Central Bank.

In August 1980, fourteen banks and credit institutions were assigned a certain number each of the newly formed Phase I cooperatives and were directed to provide them with credit. Some banks had previously worked with haciendas assigned to them. (See Exhibit III-6). The total amount loaned in 1980/81 was ₡211.7 million (US$84.7 million). This did not include the ₡118 million (US$48 million) in emergency credit extended through ISTA to assure the first year's production. Apparently, ISTA mismanaged some of these funds, and at the time of the study team's visit to the Central Bank, re-calculations were being made to determine the actual amount outstanding. A special decree established an Agrarian fund to refinance these emergency loans over a four-year period.

During 1980/81, 268 farms received financing. During 1981/82, 259 farms have been assigned to the same 14 banks. This difference between the 326 intervened farms and farms receiving financing can be attributed primarily to farms abandoned due to violence, lack of formed cooperatives, and in several cases, the lack of physical access to the farm. There is a projected credit demand in 1981 of ₡360 million (U.S. $144 million).

Production and Medium-Term Credit

The cooperatives formed under the agrarian reform process became privileged credit recipients. Farms that had been purchased by ISTA prior to

EXHIBIT III-6

BANKS PROVIDING CREDIT TO PHASE I FARMS 1980/81 AND 1981/82

FINANCIAL INSTITUTION	No. of Co-ops Assigned - 80/81	No. of Co-ops Assigned 81/82	No. of Co-ops with financing 81/82	No. of Co-ops without financing 81/82	Status Unknown	Amount Approved 80/81
1. BANCO DE FOMENTO AGROPECUARIO	91	91	78	13	---	₡ 58,685,836,00
2. BANCO HIPOTECARIO	43	46	43	3	---	34,671,057.80
3. BANCO DE CREDITO POPULAR	9	10	10	---	---	12,182.870.00
4. BANCO DE COMERCIO	8	10	10	---	1	9,679,540.00
5. BANCO CAPITALIZADOR	11	12	9	3	1	4,751.724.48
6. BANCO MERCANTIL	7	8	7	1	---	1,376,791.00
7. BANCO INTERNACIONAL	5	6	6	---	---	1,574,880.00
8. BANCO CUSCATLAN	15	15	15	---	---	11,224,392.00
9. BANCO AGRICOLA COMERCIAL	13	14	13	1	1	11,811,210.00
10. BANCO SALVADOREÑO	9	15	14	1	1	16,145,447.00
11. BANCO FINANCIERO	1	1	1	---	---	713,450.00
12. BANCO DE DESARROLLO E INVERSION	3	3	3	---	---	2,870,760.00
13. FEDERACION DE CAJAS DE CREDITO	20	21	19	2	---	4,437,195.59
14. INSTITUTO NACIONAL DEL CAFE	33	31	31	---	---	41,625,278.00
TOTAL	268	283	259	24	4	₡211,750,431.87

OBSERVATIONS: The amounts include the following credits: - production loans, coffee refinancing, agricultural machinery and parts, bee-farms, debt payment, etc.

Source: Central Bank

the issuance of Decree 153, traditional cooperatives and the rest of the agricultural sector have not enjoyed the priority which has been given to the reform sector farms.

Given inflation of approximately 13 to 15 percent, the interest rates charged by these banks was extremely low:

Basic grains production loans	8 percent
Export crop production loans	13 percent
Medium term livestock and machinery loans	13 percent

The Agricultural Development Bank, (BFA) which bears the greatest lending burden in the Land Reform Program, described its credit planning and request process: The agent of the bank works directly with the co-ops production committee with the assistance of the ISTA technician. They develop farm plans which will serve as the basis for credit given. In essence, the farm plan is an estimate of hectares for each crop to be grown. The agent checks the fields, and sometimes revises his calculations given soil quality and other conditions. All co-op loan requests and credit plans are forwarded to the bank's central office in San Salvador for Board of Director approval.

The BFA has 25 agents who work exclusively with the Reformed Sector cooperatives. These agents are agronomists and have an average of six years' experience. These agents visit each cooperative once or twice a week. The credit plans for 1981/82 are scheduled for completion by the end of November 1981.

Our farm interviews consistently revealed a perception that there was inadequate production credit available. Several respondents stated that amounts loaned per manzana (local land measure) were inadequate given actual costs of production. Some cooperatives noted that production credit was

often disbursed several weeks late despite the fact that the credit plans for the cooperative had been prepared several months previously.

The cooperatives expressed a need for medium term credit to buy livestock and equipment and stated it had been impossible or very difficult to get such loans up until the present. Presently, only the BFA provides medium-term loans, but at one time it had no medium-term credits. These credit lines are now established, but not all co-op boards of directors are aware of their availability. If a co-op is assigned to work with a bank besides the BFA, it must work with both banks simultaneously to satisfy its production and medium-term credit needs.

If an hacienda produces coffee, it will in some cases receive its production credit from the National Coffee Institute (INCAFE). Several cooperatives expressed exasperation with that organization's policies. One problem has been INCAFE's understandable reluctance to loan money for crops other than coffee, making it difficult for the cooperatives to bring idle lands under production.

Another problem cited was that INCAFE does not liquidate its account with cooperatives until the end of September meaning that the cooperative has to pay interest on its production loan long after selling its harvest. In one case, the cooperative had calculated that it was needlessly paying US$360 daily in interest charges. INCAFE had just notified them that it would not liquidate the account until the end of October, thus costing the cooperative an additional $11,000 in interest charges. Such practices have made the situation created by low coffee prices even worse.

The BFA cited some of its problems of providing and supervising agricultural credit. Thirty-two of its agents had been killed, and its San

Salvador office had been bombed on seven different occasions. In some cases, the loans were not repaid because the hacienda had been abandoned for reasons of violence. It was reported to the study team that subversives have arrived at several haciendas on payday to steal the payroll. One cooperative's Board of Directors was killed and robbed of ₡40,000 (U.S.$16,000); another was relieved of ₡120,000 (U.S.$48,000).

Out of the total short-term credit provided in 1981/82 (approximately US$84 million), 75 percent was repaid.

Agrarian Reform Debt

The Salvadoran Agrarian Reform was not predicated upon expropriation, but rather intervention with compensation. Therefore, the cooperatives are expected to amortize the ex-owner's compensation plus interest on the outstanding debt. Also adding to the debt, rent has been assessed until such time that the title is transferred to the cooperative. The amortization period lasts for the term of the bonds issued to the ex-owner. For example, if he were compensated in Series A bonds, the amortization period would be 20 years. The outstanding debt bears interest of 7.5 percent, from the date of intervention.

The most pressing problem regarding the agrarian reform debt is that ISTA has not calculated this debt for most of the cooperatives and most of the boards interviewed had no idea of the total owed or the annual payment.

Based on the compensation paid out, the total present outstanding agrarian reform debt is ₡94 million (U.S.$37.6 million). To date, only two cooperatives have made any payment on this debt. Their payments totalled only ₡48,800. At present, ISTA finds itself without funds to make compensation to former owners in cases where cash is required.

Given an acceleration of the titling and compensation process, the cooperatives should be informed as soon as possible of their agrarian debt. It is conceivable that in some cases the asset valuation may bear little relationship to the profitability of the farm enterprise. In those cases, ISTA should consider longer periods of amortization. In situations where debt has accumulated from various sources, ISTA should consider grace periods to allow the cooperative to stay current with production loans.

Technical Services

ISTA Co-Management

The Technician

As required under the Basic Agrarian Reform Law, the intervened haciendas are subject to a period of co-management. In practice, this has meant that a "technician" employed by ISTA would work with the cooperative boards as advisor. It has become the operating policy that the ISTA technicians provide advice only regarding business and operational aspects. Organizations such as CENTA, ISIC, Natural Resources, and the General Directorate of Livestock provide technical assistance on farming matters. The banks advise on credit and financial matters. Under ideal conditions, one technician works with one cooperative but this is not always the case. Some technicians must cover as many as five farms.

As of July 1981, there were 183 technicians to work on 374[1/] properties which ISTA had intervened or purchased. Only 96 worked on one farm full time, the other 87 were assigned to various farms. Seventy-one of these farms had no technician. (See Exhibit III-8) One ISTA official estimated that they could employ 100 to 150 technicians more, but they are presently

---

1/ Includes intervened and purchased farms.

unable to hire them.

Typically these technicians are young, willing workers and usually male. Their educational attainment is often equivalent to a two year post-high school diploma in agriculture. Sometimes they are agronomists. The technician may live on the farm or commute from a nearby town. This technician typically does not have his own or ISTA-provided transportation. Rarely do they possess management or financial skills. They are paid ₡600 (U.S.$240) to ₡2,000 (U.S.$800) monthly. Austerity measures by the national government and the attractiveness of salaries paid by other governmental organizations has resulted in diminished numbers of technicians to do the job.

Our interviews clearly revealed that these technicians were one of the weak links in the process. They were described variously as "very deficient", "not well selected", "paternalistic", "confusing illiteracy with stupidity", "urban dwellers", "not all working with the same interest", and with some frequency, "corrupt". We learned through our interviews that ISTA, trying to rectify the situation, has fired a considerable number of technicians.

One means by which ISTA has tried to upgrade the skills of the technicians has been CENCAP training programs. CENCAP projected that it will have trained approximately 80 technicians by the end of the 1981. A person connected with CENCAP pointed at that this is a very difficult task because "the best co-gestor is the one who finishes his work first". In other words, there seems to be little incentive at the present time for the technician to do his job well, because he sees that if the cooperative achieves self-management status, he may be out of a job. (In reality, he will probably

be shifted to another farm needing co-management services.)

The farms have different need levels for co-management, depending upon the farm size, technology and the level of managerial involvement by the previous owners. According to one respondent, the farms can be divided into three categories: 1) farms employing highly technological and modern farming methods, where considerable amount of delegation was made by the owner to a manager, foremen and administrators; 2) farms which were too small for the owner to hire a manager and where the owner made all decisions and embodied most of the technical knowledge; and 3) farms located in the poorest part of the country and where the owner paid little attention to the farm because it did not yield much in terms of profits.

Farms in the first category tend to have the lowest need for ISTA co-management. Boards of directors of cooperatives operating such farms appear to have taken charge of the management of the farm. Some hired the previous owner's manager, and, in several of those cases, the cooperative seemed to be operating well and profitably. Sometimes these managers have been made members of the cooperatives. This "take-charge" attitude could be measured by the manner in which the board used the technician's advice in a given situation. Generally, the technician, according to the boards, was viewed as an advisor only and that, as was the frequently heard comment, "we make the decisions". Others viewed the relationship as one of give-and-take with the board and technician playing "50-50" role in the management. Even in these cases, the board insisted that they still make the decisions. Despite this attitude, the boards seemed to want to delay self-management, estimating that they would require co-management for three to five more years. Some suggested it might take even longer.

ISTA technicians when confronted with board decisions which run counter to their views, can have the decision "bounced upstairs" to the ISTA Regional Director. If the decision involves financing, ISTA can refuse to endorse the loan as required. If there is a case of blatant corruption on the part of the board, the technician can confront them with the situation in front of the General Assembly (probably after some preparatory politicking) and hope that the membership will expel the board.

One criticism of ISTA co-management was that as long as ISTA managed these farms they would be a form of state farm, somewhat like collective farms in Russia. The thinking follows that centrally controlled farms could never achieve the production required to maintain the country's welfare given its heavy dependence on agricultural exports. At the present time ISTA does seem unable to provide an effective, vigorous co-management effort which will put the farms' operations on sure footing.

ISTA also seems reluctant to let the cooperatives function on their own. Incorporated in the first land title provided to a cooperative was the statement that ISTA co-management would last for a five year period, renewable for an additional five years, if necessary. It also provided that ISTA could "re-take the management reins" at any time such was deemed necessary in the future.

Two co-operatives, both of which had retained the managers of the former owners, were identified by the study team as operations which could manage themselves now. In one case, the manager had been made a cooperative member, and could by rights, share in the profits of the enterprise. The study team visited both of these operations and concurred that physically these operations appeared to be in top shape, and run by enlightened

management. There may be other such cases.

Several respondents talked in detail about the corruption of the technicians. Access to purchasing inputs, handling cash, or product sales seem to lead to corrupt practices.

Our conclusion was that ISTA is very short-handed, and that its technicians were not providing vigorous, knowledgeable technical assistance in all cases. We grant that not all cases are equal, and some will require a great deal more technical assistance than others. Nevertheless, ISTA should attempt to identify the best personnel available for these positions, provide training for them through CENCAP, and provide close supervision and communication with them. It should follow up on and clean up all traces of corruption, as this is reflecting poorly upon the organization as a whole. Another recommendation would be to enlist banks and other credit organizations in identifying cooperatives ready for self-management. The banks are fully cognizant of the co-op's financial situation and repayment record. The bank agent visits the farm with some frequency and can analyze the status and quality of farm production. ISTA should, furthermore, adopt a flexible stance on self-management.

If the facts indicate that some operations could function independently, they should be granted self-management status. Some publicity, e.g., newspaper headlines that read "Two Intervened Farms Achieve Self-Management Status," would go far in promoting greater managerial adeptness among Phase I beneficiaries. The cases of these two cooperatives could be written up as cases for presentation at the CENCAP training centers. They could become models that other cooperative boards could visit.

Most importantly, the cooperatives should be encouraged to hire

competent managers. In cases where the ISTA technician has competence, cooperatives should be encouraged to hire him, hopefully at a higher salary than he is presently being paid. (His hopes of a higher salary from ISTA are dashed because of the current salary freeze imposed by the Junta.) Names of farm managers and a description of their qualifications should be developed and circulated among the boards of directors.

One final problem should be noted regarding co-management. At the present the cooperative cannot sell off assets of the hacienda without ISTA permission. One case was cited where the cooperative wanted to sell off non-productive milk cows and replace them. We understand that ISTA wishes to guard against decapitalization, however, so this action required ISTA central office approval before the co-op board could proceed with the sale. Marketing procedures need to be simplified and the authority for such transactions should be vested at lower levels, perhaps at the regional level.

The Promotor

While the ISTA technician serves a productive or managerial function, the promotor provides an organizational development function. The primary function of the promotor is to work with the cooperatives to assure that the membership understands the concepts of cooperativism, cooperative organization, the role of the Board of Directors, the various committees, how meetings take place, how to vote, etc. This function involving the education of co-op members, who are likely to be illiterate or semi-literate, is difficult, but essential. The promotor must be on hand for regularly scheduled meetings as well as ad hoc committee sessions. The study team viewed the election of the Oversight Committee of one cooperative. Under the promotor's guidance, nominations were made and the membership

voted aloud for their candidates.

The promotor could be characterized as young, and often a female worker. The promotor usually does not have his own transportation and arrives at the farm on foot or by bus. In only one setting were there any adverse comments by cooperative members regarding the promotor's role. However, there is much to be done. Only one observed cooperative had developed approved statutes. The Agrarian Reform Planning and Evaluation Unit (PERA) noted in its September 1981 report that there were 38 farms which did not have cooperatives formed. There were 134 cooperatives which did not have all of the members legally inscribed. (See Exhibit III-7).

A large part of the problem may be attributable to the fact there were only 186 promotores working under 19 zone supervisors and 4 regional supervisors. Only 209 farms had promotores; 157 farms had a full-time promotor and 52 farms had one part-time service. There were 165 ISTA properties without promotors. (See Exhibit III-8).

CENCAP has tried to upgrade the abilities through its training program. Approximately 120 promotores have received training ~~training~~ in social organization, "associative" education, organizational norms and functions, and promotional organization.

Other ISTA Services

Besides these two basic functions, ISTA provides several additional services:

- Legal services
- Auditing services

Legal Services

All cooperatives were to have been legally incorporated, and

EXHIBIT III-7

OFFICIALLY ORGANIZED AGRARIAN REFORM COOPERATIVES

	No. Farms	Legally Inscribed Members
Total Intervened Farms	312	17,209
With Organized Cooperative	274	17,209
Without Organized Cooperative	38	...
With all members legally inscribed	140	15,745
Without all members legally inscribed	134	1,464

Source: Ministry of Agriculture, Department of Agricultural Associations, July 1981.

EXHIBIT III-8

Co-Management and Promotion on Reform Sector Farms, 1981/82

	Farms 1/	Professionals
Total Cooperatives	374	369
Farms with Technician	303	183
Full-time	96	96
Part-time	207	87
Farms with Promotor	209	186
Full-time	157	160
Part-time	52	26
Farms without Technician	71	-
Farms without Promotor	165	-

1/ Includes intervened and purchased farms.

Source: ISTA, July 1981

thus, be capable of transacting business. For those which had cooperatives formed, this step seemed to pose no problems. Most noted that they had achieved personería jurídica status.

ISTA works with the cooperative to develop its statutes. Only one cooperative interviewed had an approved set of statutes. Others were working on them; others were waiting for a format from ISTA. This lack of statutes can only contribute to the lack of understanding regarding internal organization. Their development should be accelerated so that they can serve as educational tools for the promotor, and to guide cooperative organizations through constitutional or organizational questions with a minimum of friction.

In preparing these statutes, some attention should be paid to the terms of the Board of Directors. In several cases, the study team noted that the entire Board of Directors was changed at the same time. It is important that these terms be staggered so there is a transfer of experience and knowledge to newcomers on the Board.

Auditing Services

ISTA is to provide auditing for the cooperatives. A review of the accounting systems showed some to be in very good shape, with current monthly balances. Others were well kept, but behind schedule. Others were in poor shape. It was estimated by PERA that only 129 cooperatives had formalized accounting systems. The accounting records which appeared to be in the best shape were those where a co-op employee kept journal of transactions which were totalled up by an accountant who prepared monthly statements. Several farms seemed to have good administrators who could keep the books and prepare monthly statements.

There seemed to be an overall and absolute lack of understanding on the

part of the boards of directors of how financial performance records can be used as a management tool. Cooperative managers, presidents, and treasurers should receive an accounting and administrative course to broaden their understanding of the importance of accounting and the financial planning process.

There was discussion that ISTA was to provide accounting system formats and has not done so; that was given as one reason for not being fully up-to-date. ISTA was also to have assessed the assets and calculated the agrarian debt so that a complete balance sheet could be developed.

There was also discussion that ISTA was going to computerize the accounts of all of these cooperatives. The coordination of the effort, the logistics involved, and the margin for error make this a concept of dubious value. It also smacks a bit of centralized planning and control.

It was also noted, upon review of a recent ISTA trimestral report, that very limited auditing services had been provided, and it was indicated that there was very little capacity for this. Given the widespread rumors that some Boards of Directors and ISTA technicians had engaged in corrupt practices, it is necessary that annual audits be carried out to encourage honest practices. It is recommended that ISTA not try to carry out audits of the cooperatives; but rather it should prequalify private accounting firms to provide independent, external audits.

CENCAP

The primary institution involved in training for both professionals and cooperative members involved in land reform is the National Center of Agricultural Training (CENCAP). CENCAP was instituted in 1976, and with the

onset of the Land Reform program it has grown considerably. A major source of support for the Center has been UNDP/FAO funding which was made available for 30 months (August 1979 through January 1982). CENCAP has also received AID and World Bank funds. The World Bank funds are being used to set up seven training centers. Five training centers are presently under construction. The first inauguration will be in January-February 1982. Two more will start into construction sometime during 1982.

This report cannot over-emphasize the difficulty of the task which CENCAP faces. Phase I cooperatives, because of their structure, are much easier to reach for educational purposes than the widely spread Decree 207 beneficiaries. The process is that cooperative leaders are selected to attend courses at the training center. These courses teach the leaders to organize the members through good lines of communication, and proper functioning of the board of directors and the various committees which are required. The leaders return to their respective cooperatives and participate in the educational sessions set up by the ISTA promotor. It was the study team's observation that this had taken place with relative frequency and that the leaders found the courses to be excellent. This may have been the first programmed learning experience in their lives.

The goal of the UNDP/FAO program was to train 120 farm leaders by the end of its project period which is relatively limited coverage given that there are 274 cooperatives. Several farms visited had also had CENCAP trainers giving courses for two-week periods on the farms themselves. This seems a highly laudable activity since it appeared that some of the farm leaders sent away to CENCAP training sessions had failed to pass on their newly-gained knowledge to fellow cooperativists. This activity brings the

training down to the peasant's level, to the 40 to 50 percent who are illiterate, who do not understand the implications of the land reform and perceive that little has changed in their lives. These persons' cooperation and productivity are critical if land reform is ultimately to be successful. This on-farm training activity should be reinforced.

CENCAP also trains both ISTA technicians and promotors. This training is also viewed as extremely critical to the entire reform process because of deficiencies cited above. The technician training covers organizational, managerial and financial aspects. The training goal, according to CENCAP, is to enable technicians to reflect on their respective cooperatives' problems and develop solutions. The course utilizes case problems, giving technicians knowledge they can put to work back on their farms. The UNDP/FAO planned to train 80 technicians during its project period and that goal has been surpassed. Exhibit III-9 provides the types of courses and the number of participations in all courses.

Special mention should be made concerning UNDP/FAO project director. This professional impressed the study team very favorably with the organization and effectiveness of his work, as well as his depth of understanding of the entire land reform process.

DIECRA

This organization is in charge of preparing credit plans for those 196 cooperatives not financed by the BFA, and five-year work plans for all the cooperatives. DIECRA, like CENCAP, receives funding from AID. The organization is brand-new, having been established in May 1981. Thirty technicians are employed to provide this planning.

EXHIBIT III-9

REFORM SECTOR TRAINING

1980/81

Course	Number	Total Participants	Type Participant
Cooperative Education	71	2,050	Technicians and Farmers
Co-op Education Workshops	54	3,786	Farmers
Co-op Administration and Planning	2	57	Technicians
Efficient Management of Co-op Enterprises	3	54	Farmers
Seminar on Agricultural Co-op Organization	1	60	Technicians
Standardized List of Accounts	7	122	Accountants
Promotional Management	1	90	Promotors
Briefing on Agrarian Reform Program	4	120	Technicians
Administrative Techniques for Co-op Management	3	54	Farmers
Cooperativism in the Reform Sector	1	51	Farmers

Source: CENCAP

The first step, the financial credit planning for the 196 cooperatives, will be completed by December 1981. This planning will encompass the planned cultivation for the next crop year and estimates of required credits. Such planning, carried out in collaboration with cooperative leaders and ISTA technicians, will enable the cooperative to deal more effectively with the bank which provides its financing. This activity should diminish past problems resulting from over-zealous technicians and unknowledgeable boards of directors who have overloaded the cooperative with too much credit. It also serves as a training exercise for both board members and technicians.

The second phase of the work, developing five-year plans for each Phase I cooperative, appears to be a massive undertaking. Four such plans have been prepared by DIECRA technicians as a sort of on-the-job training exercise. Following the in-house operation, six additional farms were planned in conjunction with cooperative boards and ISTA technicians. In these exercises various production techniques, cropping patterns and the optimal "member load" were integrated into the final plan. A review of these plans shows them to be highly detailed. All of this work is intended to be completed in 1982 after which DIECRA will cease to exist.

To carry out this planning effort, DIECRA will be expanding its staff somewhat. The study team concluded that while not all points in such a plan could be fully understood or utilized, either by co-op members or management, they could, if well done and thoughtfully formulated, provide guidelines regarding the path of the enterprise through the relatively difficult first years following the reform. The calculations made may also provide the bases for establishing membership levels.

The study team noted that DIECRA should take into consideration ISTA's

views concerning each farm, but that its financial, economic and managerial evaluations and projections should be prepared in the most objective manner possible.

Technical Assistance and its Coordination

There are four major technical assistance providers to Phase I farms: the General Directorate of Livestock (DGG), Center for Agricultural Technology (CENTA), General Directorate of Renewable Natural Resources (DGRNR), and Salvadoran Institute for Coffee Research (ISIC). Prior to the reform, the GOES did not provide extension services to the large haciendas because the owners could afford their own technical services. When the land reform began, that policy was reversed and each provider assigned technicians to ISTA to work on the haciendas. The concept was to have a team of three or four technicians working on each farm. Subsequently, these providers wanted their technicians back and they were withdrawn leaving only those who wanted to continue working with ISTA. This led to some confusion as to who would be responsible for providing technical assistance to the farms, the ISTA technician or a technician from another organization. A clear delineation of the assistance was made: The ISTA technician was to work on managerial and financial matters and the other agencies were made responsible for providing assistance according to their specialization.

There continued to be considerable disorganization and duplication among these various official entities during the first year of land reform. To further reduce this confusion, an inter-agency coordination organization was devised. The major purpose of the organization is to provide the services to the Phase I farms in an integrated manner. The organization was

divided into four levels:

CORIFMAG	-	regional level
COZIFMAG	-	zonal level
ELIFMAG	-	technician level
Cooperatives	-	farm level

In addition to the major technical assistance providers, a diverse number of organizations were represented at the regional level. The organizations included are the Agricultural Development Bank (BFA), DIECRA, INAZUCAR, INCAFE, CENCAP, OSPA, etc.

Despite this elaborate coordinative mechanism, there was noted to be a real problem of communication, both vertically and horizontally, surrounding the 'land reform program'. There seems to be no good flow of communication between ISTA upper management, for example, and the farm operations. Regional directors do not often exchange experiences and ideas. Regional directors often do not know what is going on in their own regions. ISTA technicians and promotors often do not know what is happening on neighboring farms.

It seems clear to the study team that there is a need to avoid duplication of services. However, much of the planning and coordination appears to revolve around the coordination activity itself. Some technical assistance activity, in the early stages of the program at least, will by necessity be "from the top down". However, encouragement needs to be given so that requests for the services of these various support organizations should be derived from the needs of the individual farms. Responsibility for generating these service requests should lie with the co-op manager, the President of the Board of Directors, or the ISTA technician, as these are the persons

ultimately responsible for the success of the farm operations. Once a written request is generated, it should be the responsibility of the service organization to arrive and get to work. Exhibit III-10 gives the number of technicians lending service to Phase I farms.

Private Consulting Firm

There is a U.S.-based, private voluntary organization (PVO) which receives AID funding to provide business development services to small enterprises and cooperatives in El Salvador. Included among these enterprises are several traditional farm cooperatives and four reform sector cooperatives. The reform sector cooperatives contacted this organization after learning of the positive experiences of some of the traditional cooperatives. These reform sector cooperatives were all faced with drastic first year losses. One cooperative which contacted the organization had lost most of its dairy production because it had sold off cows to pay debts incurred in other agricultural activities.

This organization has only ten technicians, but its orientation is 'strictly private sector' concentrating on management and accounting problems. Its operating philosophy is that in order to turn around severely ailing enterprises it must apply a heavy dosage of technical assistance. It is almost impossible for the ISTA technician to be able to have at his command the skills necessary to resolve the problems of a cooperative in serious trouble. All four cooperatives which the organization has assisted are reportedly now earning profits. Bankers and other persons knowledgeable of the organization's activities gave the organization high marks. The organization has received more requests for assistance from reformed sector

EXHIBIT III-10

TECHNICAL ASSISTANCE TO THE REFORMED SECTOR

	Technicians	Farms where Assistance was Applicable	Hectares
National Center for Agricultural Technology (CENTA)	82	183	70,133
General Directorate of Livestock (DGG)	27	145	47,793 1/
General Directorate of Renewable Natural Resources (DGRNR)	34	133	30,282
Salvadoran Institute of Coffee Investigations (ISIC)	35	93	21,644
General Directorate of Drainage and Irrigation (DGRD)	...	13	760

1/ Number of livestock

Source: PERA/OSPA

cooperatives than it can presently provide.

It occurred to the study team that cooperatives in serious trouble could be identified through the banks. These cooperatives should then be provided with trouble-shooting services, preferably in a heavy dosage, in the manner in which this organization works.

Private Consulting and Accounting Firms

Accounting firms presently provide accounting services to some Phase farms. Those farms receiving the services appeared to have fairly good accounting records. The study team concurred that such a practice seemed to be very positive. However, the stuay team noted, as stated above, additional services which should be provided to some of the Phase I operations, namely, management cons lting, financial analysis, and auditing.

One consulting fir contacted suggested that accounting firms operating in the country provide the following package of services:

Management Assistance	-	Action Plan General Advice
Financial Assistance	-	Credit Plan Cash Flow Planning
Accounting	-	Conforming books to ISTA format Closing books monthly and annually
External Auditing	-	Objective audit on an annual basis

The service was estimated to cost of $250 to $300 per month plus per diem and travel.

Several bankers and other technicians agreed that private consulting firms could greatly assist the development of Phase I farms. It was related that there were quite a few such firms, but that they are disappearing due to the general economic decline. It is estimated that 70 to 80 per

cent of the human resources necessary to provide such services are still within the country.

The study team felt that these services should be provided to ailing cooperatives in the immediate future. One interviewee suggested that the cooperatives should pay for these services. The study team agreed with that, but was not certain that a co-op losing money would be willing to pay out the money to a consulting firm, even on a cost-sharing basis. Those funds might have to be provided until the cooperative could be put on a sound financial footing.

Allocation of Resources Away from Other Sectors

Unquestionably, the level of effort by various technical assistance agencies has partly been responsible for the success achieved by the Phase farms to date. However, this allocation of resources to the reform sector has almost excluded the non-reform agricultural sector, which has, according to some sources, caused a drop in production among traditional cooperatives, farms purchased by ISTA prior to March 1980, and some other agricultural units not affected by Phase I.

The non-reform farm units merit technical assistance as does the reform sector. Decree 842 does provide that pre-reform cooperatives will receive managerial and technical assistance. Perhaps if the above recommended policity were adopted, that requests for technical assistance from the farm level be encouraged, the technical assistance which is now hovering over the reform sector could be applied more fruitfully across all agricultural units.

Peasant Organization Impact Upon Program

According to interviews with AIFLD and UCS, worker organizations have a role in monitoring the progress of the Agrarian Reform programs and promoting

self-management status among the Phase I cooperatives. UCS is presently working with nine cooperatives with which they have an affiliation. The study team was unable to visit any of these cooperatives to determine the exact nature of the services provided.

The field interviews led us to conclude that as of yet the Phase I cooperatives feel little or no effect as a result of the activities of organizations such as UCS, ACOPAI and others, either locally or at the national level.

Armed Conflict Impact Upon the Program

Unquestionably, the armed conflict in the country has reduced the total impact of the Agrarian Reform program. The boards of directors of these cooperatives are often the targets of retaliation, if one side of the conflict views them as sympathetic to the other side.

The danger resulting from the conflict has caused at least 26 [1/] reformed farms to be completely abandoned with an additional 13 farmed on an intermittent basis only. In some cases harvests (especially cotton) were burned by insurgents; in other cases the coffee beneficios and receiving stations were burned or closed. Exhibit III-11 lists the completely abandoned farms and land areas. Total abandoned land area, 9,588 hectares, accounts for 4 percent of the land intervened under Phase I. Exhibit III-12 lists the farms identified as subjected to violence. Their lands, totalling 9,800 hectares, comprise an additional 4 percent of Phase I land.

[1/] This figure tends to fluctuate; 26 were reported abandoned as of October 31, 1981, however, the study team had access to the names and hectarages of only 19 of those which are shown in Exhibit III-11.

EXHIBIT III-11

Phase I Farms Abandoned Due to the Conflict

Farm	Department	Area (Has.)
Azacualpa	La Paz	1,111
Sinatepeque	San Vicente	620
Valle Verde	Cuscatlán	307
El Coyol	San Vicente	213
Las Marías	La Paz	278
El Despoblado	La Paz	125
San Nicolás	San Vicente	180
Los Angeles	San Vicente	169
La Cañada	San Vicente	143
El Chorro	San Vicente	555
El Corozal	Usulután	735
El Carmen	Usulután	1,015
Las Mesitas	Usulután	148
Nanachepa	Usulután	357
La Estancia	San Miguel	581
San Francisco Gualpirque	La Unión	1,438
La Canoa	Usulután	895
Santa María	Usulután	280
San Antonio	Usulután	437
TOTALS		9,588 hectares
		or 23,682 acres

Source: ISTA

EXHIBIT III-12

Phase I Farms Subjected to Violence

Farm	Department	Area (Has.)
La Joya	San Vicente	960
El Marquezado	San Vicente	682
San Francisco dos Cerros	San Salvador	973
Las Flores	La Libertad	504
Tacachico	La Libertad	1,029
Veracruz	La Libertad	479
El Aguacate	La Libertad	310
Pañalapa	Chalatenango	2,299
El Pedregal	Santa Ana	38
Guajoyo	San Vicente	666
Las Tablas	Santa Ana	627
El Rosario	Santa Ana	204
Mapilapa	San Salvador	1,029
Total		9,800 hectares
		or 24,206 acres

Source: ISTA

Economic Impact

Output

One of the most commonly heard comments regarding this agrarian reform is that, after putting the farms in the hands of the peasants, the result has been that production has dropped off considerably. The study team visited 16 Phase I farms, all located in tranquil areas. The team also overflew many farms in the southern and central areas of the country.

The farm interviews carried out in the southwestern area of the country brought out that, despite the fact there was a production decrease of perhaps 10 percent during the first year of cooperative operations, the output rebounded and will increase to perhaps 10 to 20 percent above the production level at the time of intervention. This has been due to the high priority which the Phase I farms have enjoyed both at credit and technical assistance institutions. It is also due to the maintenance of the same cropping patterns used by the former owners. See Exhibit III-13 for total output estimates.

The flight over the central and southern regions confirmed severe decreases in certain activities, namely livestock and cotton production. Livestock and milk production has suffered because of decapitalization by the cooperatives--some have sold off livestock, often their most liquid asset, to pay back bank loans. Many livestock pasture areas are within conflict areas.

Many cotton farms also lie in conflict areas and are idle. There are many in San Vicente and Usulutan. Not all of the decrease in cotton is due to a lack of production on Phase I farms (See Exhibit III-14). Indeed, ISTA-owned pre-reform farms as well as farms in private hands have dropped

EXHIBIT III-13

EL SALVADOR CURRENT LAND USE - 1980/81

(Hectares and Metric Tons)

	TOTAL		NON - REFORM SECTOR				REFORM SECTOR 1/			
	Cropped Area	Production	Cropped Area		Production		Cropped Area		Production	
	Has.	Metric Tons	Has.	As % of Total	Metric Tons	As % of Total	Has.	As % of Total	Metric Tons	As % of Total
I. AGRICULTURE										
A. Export Crops										
Coffee	186,031	143,290	164,237	88.3	124,923	87.2	21,794	11.7	18,367	12.8
Cotton	58,240	115,545	38,628	66.3	71,418	61.8	19,612	33.7	44,127	38.2
Sugar Cane	28,000	1,890,691	16,050	57.3	881,807	46.6	11,950	42.7	1,008,884	53.4
B. Basic Grains										
Corn	291,900	523,091	277,886	95.2	477,545	91.3	14,014	4.8	45,546	8.7
Sorghum	119,490	138,223	114,244	95.6	129,162	93.4	5,246	4.4	9,061	6.6
Beans	52,500	39,386	47,211	89.9	35,448	90.0	5,289	10.1	3,938	10.0
Rice	16,800	60,000	13,464	80.1	49,819	83.0	3,336	19.9	10,181	17.0
C. Agroindustrial 2/ Crops	25,971	22,648	21,122	81.3	17,790	78.5	4,849	18.7	4,858	21.5
D. Fruits & Vegetables	22,113	306,250	15,224	68.8	N/A	-0-	6,889	31.2	N/A	-0-
E. Pastures	950,119	-0-	920,440	96.9	N/A	-0-	29,679	3.1	N/A	-0-
F. Others	104,366	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
II. FORESTRY	174,903	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
III. NON-ARABLE LAND	73,567	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	2,104,000	-0-	1,882,317	89.5	-0-	-0-	221,683	10.5	-0-	-0-

SOURCE: MAG/DGEA "Anuario de Estadísticas Agropecuarias 1980-1981"
ISTA, "El Proceso de Reforma Agraria en El Salvador, 31 de julio de 198

1/ The information is in reference to 315 farms

2/ It includes: tabacco, kenaf, cardamono, ajonjolí, cacahuete, etc.

EXHIBIT III-14

EL SALVADOR

EXPORT CROPS AND BASIC GRAINS PRODUCTION

(Metric Tons)

	1978/79	1979/80	1980/81	1981/82 (estimated)
Export Crops				
Coffee	177,864	177,273	143,290	143,182
Cotton	200,355	183,945	115,545	111,364
Sugar Cane	2,712,695	1,995,275	1,802,471 1/	2,099,582 1/
Basic Grains				
Corn	510,027	516,568	523,091	495,455
Sorghum	159,895	158,409	138,223	134,091
Beans	42,409	45,970	39,386	37,809
Rice	50,205	57,555	60,000	49,545

Sources: 1. MAG/DGEA "Anuario de Estadisticas Agropecuarias"

2. Horticultural and Tropical Products Division, FAS, USDA, July 1981

1/ INAZUCAR.

their production level. The study team observed Phase I farms which had not planted their entire cotton area and also observed some Phase I farms that appeared to be in the best conditions in the country. Cotton is a crop which requires a high level of technology and vigilance. Twenty or more applications of insecticide are applied and production levels can drop dramatically if these applications are not made in a timely manner. Any cooperative with severe organizational problems or indecisive management will suffer for its lack of timing.

Output drops in coffee and sugar cane are most likely due to the ambivalence on the part of owners whose farms would fall in Phase II, and world market prices. Corn has been increased on some Phase I farms as the cooperative sought to bring additional land under cultivation.

Output has been increased by the cooperative applying more labor than was used by the previous owner. Some cooperatives intend to inscribe additional members thus increasing the amount of available labor. It cannot be stated with assurance and without further in-depth analysis whether or not productivity (output per unit of input) is dropping. It is the tentative conclusion of the study team that this increased use of labor is creating production output increases but productivity decreases, because of declining marginal productivity of the factors of production.

This increased usage of labor is having credit repercussions. A commonly heard complaint was that banks did not allow enough money per cultivated hectare to cover production costs. The amount the banks will loan is standarized by the Monetary Junta. As it is the priority of these cooperatives to provide employment for themselves, it is the team's judgment that in many cases more labor has been utilized than is provided

for the Monetary Junta standards, amounts which presumably bear close relationship to product prices. While the increase of labor inputs is not in itself a bad practice in this country where there is extreme underutilization labor, it may lead to losses by the cooperatives whose leadership may not be cognizant of the relationship between costs and profits.

Yields

Given the more labor intensive production functions described above, increased capital inputs in the form of fertilizers, insecticides, and equipment, and strong technical assistance inputs, Phase I farms are producing comparatively high levels of output per hectare. Exhibit III-15 compares the metric tonnage output per hectare for these farms to the remainder of the agricultural sector in 1980/81 and with a historical average of the agricultural sector in the years 1975/76 through 1979/80. An analysis of that exhibit, which demonstrates relatively high yields in coffee, cotton, cane, corn and sorghum, is contained below:

CROP	YIELD COMPARISON REFORM SECTOR 80/81
Coffee	Lower than historical agricultural sector average and higher than the non-reform sector.
Cotton	Higher than historical average and non-reform sector.
Sugar Cane	Higher than historical average and non-reform sector.
Corn	Higher than historical average and non-reform sector.
Sorghum	Higher than historical average and non-reform sector.
Beans	Lower than historical average and non-reform sector.
Rice	Lower than historical average and non-reform sector.

EXHIBIT III-15

EL SALVADOR

EXPORT CROPS AND BASIC GRAINS YIELDS BY NON-REFORM AND REFORM SECTOR

(Metric Tons by Hectare)

	Historical Average 75/76-79/80	National Average 1980/81	Non-Reform Sector 1980/81	Reform Sector 1980/81
Export Crops				
COFFEE	0.94 1/	0.77	0.76	0.84
COTTON	2.15	1.98	1.85	2.25
SUGAR CANE	81.49	67.5	54.94	84.42
Basic Grains				
CORN	1.70	1.79	1.72	3.25
SORGHUM	1.18	1.16	1.13	1.72
BEANS	0.81	0.75	0.75	0.74
RICE	3.24	3.57	3.70	3.05

Source: MAG/ General Directorate of Agricultural Statistics

1/ Four year average

Income

Employment

An almost universal response to a question concerning economic benefits to Phase I cooperative members was that more people would be employed and they would be working more days per year.

It is unquestionably true in almost all cases that more persons would be employed. There did seem to be two discrete ways of employing more persons. In almost all cases, persons in addition to the resident tenant farmers (colonos) were allowed to join the cooperative. Some restricted that number to the amount of members which could efficiently cultivate the land. Some cooperatives, especially those with very large extensions, were allowing many more persons to become members to have enough labor to efficiently work these large farms. Still others felt that many more members "had a right" to join the cooperative according to the law. In this latter case, members were not working year round, but perhaps 25 to 50 percent fulltime. They had arranged equitable arrangements for "taking turns" at working.

No matter the arrangement, there seemed to be greater labor intensity. This greater labor intensity will distribute employment benefits over a larger number of persons. It is also likely to lower profits levels for the cooperative. If new efficient enterprises are added then the labor input, total product, and profits could all increase.

The study team inquired as to whether wage levels had been raised since the formation of the cooperative. In only one case had the Board of Directors given itself a raise, from ₡110 (U.S.$44) to ₡180 (U.S.$72) per two week pay period. Several others reported pay raises

for the field workers only (that is, the lowest paid workers). Most had adhered to the minimum daily wage of ₡8.16 ($3.26) for farm workers as set by the GOES.

Garden Areas (Milpas)

The usual practice on the haciendas, was to allow the tenant workers to have individual garden areas on which they could grow corn and beans to sustain their families. The area on these varied, but usually they were between .35 hectares (.5 manzana) and .5 hectares (.75 manzana). The original tenant farmers maintained their milpas after intervention.

As new members joined the cooperatives new garden areas were made available to them. These plots constitute an important benefit for the member in addition to the wages he earns. In some cases where little had changed since the intervention, it was described as the only new benefit.

Dividends

Only one of the Phase I cooperatives interviewed had managed to pay its members dividends. There are several reasons for this. Some cooperatives did not achieve production targets because of conflict or organizational problems. Commodity prices were low for several major projects such as coffee and sugar. If there were profits, some used the excess funds to purchase capital equipment which had been removed from the farm by the former owner, or which was recognized as needed during the course of the year. Very few cooperative boards indicated that much thought had been given to paying dividends.

It is the opinion of the study team that the payment of a dividend, albeit a small one, should be encouraged. This payment would help to

differentiate the operation of the cooperative from that of the former hacienda. It was noted above that the members do not feel like owners of the land. Likewise, they do not all feel like owners of a business enterprise. A dividend might further stimulate their interest in the profitability of the cooperative. If the dividend were paid on the basis of the individual member's labor input over the year, it might further enhance his willingness to work. One precautionary note: cooperative boards may tend to want to close off membership to newcomers once these dividends are paid. The statutes should provide for open membership based on the cooperative's need for labor.

Social Benefits

The members of these cooperatives often have common social needs such as a better school for their children, increased health care, and better housing. Usually each cooperative has a social welfare committee to develop a social program and make recommendations to the general membership.

Many of the farms have their own elementary schools which provide education for children through the sixth grade. Only one farm visited had no school or easy access to a nearby school. The funds for teachers are usually provided through the Ministry of Education. The school building itself is often maintained by funds and labor from the cooperative.

In many cases, the farm had its own clinic, often staffed by one or more nurses. Often arrangements have been made for doctor to visit on a weekly basis. The Ministry of Health provided funds for the clinic, but the cooperative provided maintenance of the locale. In several cases, the study team noted that the cooperative paid for a doctor's visit and

medicine or a portion of one or both of those two expenses.

Lack of safe and sanitary housing constituted the most severe social problem. At one farm, the owner had a stockpile of lumber at the time of intervention which was subsequently distributed to members wanting to construct new houses. By and large, the houses were found lacking. On some haciendas, the former owners had run water lines to the houses of their tenant farmers, but that was the exception rather than the rule.

In some areas, there was electricity available to the members' houses. Some cooperatives were trying to extend electricity to the recently constructed houses of new members. Each separate house was not metered and the bill came to the cooperative which paid for all members.

Two conclusions were reached by the study team. One was that the farms are similar in many respects to small towns. This could become a more permanent arrangement if housing, the most serious social problem on these farms, could be made more permanent.

The second conclusion was that although the use of cooperative funds for social purposes is very attractive, this practice should be limited to prevent the members from viewing their cooperatives as social welfare agencies rather than income-producing businesses. Despite the priorities set forth in Decree 153, the study team recommends that a limit be set to govern the use of operating funds for social expenditures. At year-end, the cooperative members can decide what portion of profits should be allocated for social benefits.

Equity

Phase I of the Salvadoran land reform has accomplished much in terms of equity. It tackled head-on the classic problem of too much land in the

hands of too few. Increased Salvadoran peasant access to, and control and ownership of land is rectifying a situation which maintained the vast majority of the Salvadoran peasantry in poverty. As pointed out elsewhere, these actions will not resolve the rural poverty level for some 740,000 landless rural people in El Salvador. Nevertheless, great strides have been made on behalf of beneficiaries who once worked as tenant farmers, renters or employees of these large farms.

The purpose of this section is to provide some understanding of the level of equity provided to the Phase I beneficiaries. An exact figure cannot be calculated for several reasons. Some farms do not have cooperatives organized on them yet. Others intend to allow more members to enter, thus reducing the land/member ratio. Not all members are legally inscribed which may further confuse the issue.

Exhibit III-16 compares various estimates: a PERA estimate, a Checchi estimate based on available data, and a calculation based upon field visits. (See also Exhibit III-17 for Checchi sample estimate.)

Two observations are clear: One observation is that the benefits in terms of land provided to peasants under Phase I are considerably greater (5 to 7 times greater) than the benefits provided to Phase III beneficiaries. Not only did Phase I beneficiaries receive more land, they also received buildings, infrastructure, machinery, equipment, livestock and in some cases industrial installations.

The second observation is that there is considerable variance among the individual farms. One variable was the type of cultivation and its labor requirements. However, it would appear in several cases, one being the Hacienda Agua Fría, that additional members were being frozen out so that

EXHIBIT III-16

Land/Man Ratios for Land Reform Phase I and III

	Hectares	Beneficiaries	Land/Man Ratio (Has.)	Land/Man Ratio (Acres)
PERA Phase I Estimate	199,836	16,966	11.8	29.1
ISTA Phase I Estimate	223,740 1/	34,658 1/	6.4	15.9
Checchi Phase I Sample	22,357	4,360	5.1	12.7
PERA Decree 207 Estimate	25,448	17,034	1.5	3.7

1/ Source: ISTA

EXHIBIT III-17

Land/Man Ratios for Phase I Farms Visited

	Land Area (Has.)	Members	Land/Man Ratio (Has.)	Land/Man Ratio (Acres)
El Zope	672	83	8.1	20.0
San Andrés	2,230	838	2.7	6.1
El Espino	781	223	3.5	8.6
El Tránsito	497	168	2.9	7.3
Pasatiempo	397	225	1.8	4.3
Santa Lucía Orcoyo	830	130	6.4	15.8
San Arturo	725	117	6.2	15.3
Santa Clara	700	399	1.8	4.3
Copapayo 1/	597	102	5.9	14.4
San Isidro 1/	2,450	350	7.0	17.3
La Labor 1/	2,310	924	2.5	6.2
Las Cruces	114	72	1.5	3.7
Jabalí	765	98	7.8	19.3
Chiquileca 2/	2,754	113	24.4	60.3
Agua Fría	3,060	218	14.0	34.6
La Presa	3,475	300	11.6	28.6
TOTALS	22,357	4,360	5.1	12.7

1/ Proposed membership increases: Copapayo to increase to 120; San Isidro to 1,000; La Labor to 1,432.

2/ Only 25% of Chiquileca's land was cultivable.

ownership and profit benefits would accrue to the few.

The study team felt that individual members should receive a stock certificate representing his share of capital in the cooperative enterprise. This could have the effect of increasing his understanding and participation in the profitability of the cooperative. Appropriate means would have to be devised for compensating members who leave the cooperative, assuming there is a positive capital balance.

Production Cooperative Forms versus Individual Plots

The discussion on equity above leads to discussion of the relative merits of disparate types of productive organizations. It is by now clear that the primary organizational form has been that of the production cooperative. Two distinct types of cooperatives have been formed: cooperative associations and communal peasant associations. In the first case, the member may or may not pay in some capital. In the second case, the member pays in capital through his labor. While this distinction is made by ISTA, it appears that there is virtually no difference under the circumstances between the two cooperative types.

As the land was intervened, some peasants anticipated that the *hacienda*'s land would be divided into parcels. However, the ISTA "interveners" encouraged, and in fact, imposed a system of production cooperatives. The basic ideas were that the beneficiary group had (technological) knowledge about farming a certain *hacienda*, that they were accustomed to working together, that certain infrastructure and economies of scale were extant and that certain crops lent themselves well to cultivation by large groups of labor. This concept seems to have taken hold.

Traditional constraints to small farmer production such as access to

land, credit, inputs, and market channels were alleviated. The major remaining constraint is the cultural and educational level of the peasant himself. It was promising to see the cooperativists governing themselves and feeling positive about their mutual relations. Attempts are being made to further alleviate this constraint through the efforts of CENCAP educators and ISTA promotors.

At this point in time there is no clamor to divide these farms into parcels. However, some consideration by ISTA is being given to subdividing farms with very poor soils in a form very similar to Phase III minifundia. The ten or so haciendas with these conditions have neither the technology level nor infrastructure in place to merit holding them intact. Already two cooperatives have found a productive form which suits the conditions which they face. One cooperative has split the land in half, farming one half communally and the other half in individual plots. On the other, the cooperative has split itself into two groups, one group farming cooperatively and the other group farming individually. ISTA has acquiesced to these changes.

At this point in time, the study team sees no merit in dividing the farm into parcels. The change of agricultural methods, loss of economies of scale, momentum, access to credit, technical assistance, and market channels would create greater disruption and production loss than the productivity gains resulting from dividing the farms into smaller parcels.

The study team does recommend that the opportunity to move from group to individual operation not be permanently foreclosed. The wishes of the cooperative members themselves should be central to such a decision and it should not be lightly made.

Conclusions and Recommendations Regarding Phase I

a) Phase I was implemented with considerable force having intervened all farms exceeding 500 hectares and series of farms owned by one owner whose total hectarage exceeded 500 hectares. In addition, the GOES has purchased (or promised to purchase) 64 farms of less than 500 hectares. A total of 326 farms have been intervened or purchased under Phase I today.

b) Cooperatives or communal associations have been formed on a majority of these farms. Out of 326 Phase I farms in July 1981, 274 had organized cooperatives.

c) The greatest perceived benefit has been that of creating more full-time employment for members. Some over-exuberance regarding employment creation may have resulted in operating losses for some cooperatives.

d) The team's field visits indicated that production had been maintained or increased on these farms. A production drop of approximately 10 percent was found during the 1980/81 crop season, but this has been reversed and an increase of 10 to 20 percent over pre-intervention levels is foreseen for 1981/82. The primary reason that production has been maintained at such high levels is that disruption was avoided. Beneficiaries were encouraged to continue the same cropping patterns and techniques as were employed by the former owner with support in the form of credit and other technical assistance. Some production drops are due to conflict with some 9,588 hectares completely abandoned and an additional 9,800 hectares that can be cultivated only intermittently.

Other production drops seem to stem from decapitalization by the former owners. Also, decapitalization by the cooperatives, especially through livestock sales, has been brought about as the cooperatives tried

to repay their bank loans. Their ability to provide technology inputs required on cotton farms, may have reduced some production on Phase I farms.

e) The Phase I farm had a high level of technology in most cases. Yields have exceeded the non-reform agricultural sector in coffee, cotton, and sugar cane.

f) The majority of farmer owners have had their reserve right approved by ISTA and this does not seem to constitute a process bottleneck.

g) Sixty-four former owners have received compensation for their properties. Cash has been paid these owners in the amount of US$3.2 million and US$34.3 million has been paid in Agrarian Reform bond certificates.

h) The Agrarian Reform bonds, when issued, will bear six percent interest which will mean that, given the present inflation rate, they will be of limited value upon maturity. A means needs to be devised to make workable the clause in Decree 153 whereby these bonds will serve as loan guarantees for industrial, agro-industrial or rural housing activities. This could tend, depending upon the type of investments made, to create off-farm employment, a most critical need for the nation.

i) The titling and compensation process poses a severe institutional bottleneck for ISTA. It is highly recommended that obstacles be eliminated and that the Legal Department achieve the highest output possible. Unless some fundamental changes are made in the process, even the proposed Departmental re-structuring will not increase the number of titles issued.

j) While $30 million of the emergency credits have been forgiven, excessive indebtedness comprised of the remaining emergency production credits, outstanding productior loans and the accrued rentals create a danger to the agrarian reform process and to the economy of the nation

as a whole. Serious consideration should be paid to forgiving the original emergency production credits provided through ISTA. Continuous vigilance should be given to the remaining outstanding production credits, rolling these over where necessary, but with an eye on eventual collection.

k) ISTA should accelerate its evaluation process so that cooperatives can be informed as soon as possible of their Agrarian Reform debt. Cash flow analysis should be made to determine whether the cooperatives can actually retire this debt in 30 years, or whether a longer term in some cases is desirable, or whether a grace period should be applied.

l) ISTA technicians and promotors are a weak link in the agrarian reform process. Adequate numbers of technicians and promotors should be hired. All technicians and promotors should be provided additional training through the CENCAP program. All technicians and promotors should be evaluated and the poor ones replaced. ISTA personnel should not be involved with marketing, purchasing or handling cash. Cooperatives which have not already done so should be encouraged to hire their own professional managers.

m) ISTA should be encouraged to take a flexible stance on co-management. Some farms could be given self-management status now. Within ISTA there is some residual paternalism which may tend to extend the co-management period beyond the presently state goal of three years. The idea that "everyone in the cooperative should understand what's going on before the cooperatives can manage themselves" is an unrealistic outlook. The sooner self-management can be accorded, the more rapidly will learning take place.

n) ISTA should work to provide legal status and approved statutes to all cooperatives.

o) An independent accounting and auditing service should be provided

by existing private accounting firms in the country. Many Phase I cooperatives do not have adequate or any accounting systems. ISTA could qualify these firms and set the norms for contracting and payment.

p) CENCAP has provided a very satisfactory training service during the first 18 months of land reform. It needs to increase the numbers which it serves and carry out more on-farm training sessions.

q) DIECRA's planning function is seen as a thorough and helpful activity, providing guidelines for the cooperatives to follow through the relatively difficult first years of operation.

r) Technical assistance agencies have given Phase I of the land reform their highest priority. This has resulted in a top-heavy coordination effort. Technical assistance efforts needs to be leveled out considerably so that other agricultural sectors do not suffer. Encouragement should be given to welcome technical assistance requests from the farm level.

s) There is an acute need to provide trouble-shooting and turn-around consulting services to cooperatives in operational difficulties. Neither ISTA nor its technicians are capable of providing these services. Organizations such as the US-based, private voluntary organization, which enjoys a very good reputation among the cooperatives and banking institutions, and other consulting firms should be utilized to provide this service on a very immediate basis.

t) Based on interviews, there seems to be very little impact upon this program, either at the local or national level, by AIFLD-sponsored or other peasant organizations.

u) Only one cooperative interviewed was able to pay a dividend. The divident in that case was equivalent to US$120 per member and was paid in-kind (corn). The payment of small dividends should be encouraged to help

members understand the present cooperative set-up versus the previous hacienda (employment only) operation.

v) The most serious social needs are adequate education for children, literacy education for adults, and housing for cooperative members who have recently moved onto the farm. Family planning efforts need to be augmented.

w) The Phase I of the land reform program has provided considerable changes in equity for peasants. Presently 34,658 cooperative members are farming 223,740 hectares of land. The land-man ratio exceeds that of Phase III beneficiaries and the nation as a whole.

Stock certificates should be provided to individual cooperative members.

x) Members of cooperatives generally prefer to operate the farms as production units, taking advantage of existing infrastructure and cultivation practices for certain crops. Few members appear to favor breaking the farms into individual parcels. This seems true largely because the crops grown on Phase I farms are those traditionally raised on large fields with group labor, and these groups have been socially organized as work units over long periods of time. Hence the newly formed cooperatives involve little change from past work practices. If after a period of time specific cooperatives continue having extreme organizational difficulties, the members should be given the opportunity to indicate whether they want to continue common ownership of the cooperatives or break the land up into individual plots.

IV. PHASE II

Phase II of the Agrarian Reform, which has not been activated, relates to farms ranging in size from 100 to 500 hectares (Exhibit IV-1). Within the bracket are some 343,000 hectares, approximately 18.5 percent of the land in farms. There are some 1700 farms in this category, about 6 times as many as were expropriated under Phase I. (G. de Econ., June 5, 1981, Table 3). As provided by Decree 153, if Phase II were implemented, these farms would be expropriated and transformed into cooperatives in much the same manner as were the larger Phase I farms.

The actual impact of Phase II would be less than first appears. Some of the land on Phase II farms is not tilled, and much of the tilled land would probably be reserved by the owners. If the owners were to exercise their reserve rights fully, only 7 percent of the country's tilled acreage would be affected; if no reserve rights were claimed, 17 percent of the cropped acreage would be involved.

Phase II, at its maximum impact, would affect approximately 50,000 families directly. Considering an average of 6 persons in family, the total number of people involved would be 300,000. Phase II would have its impact in all major regions of the country. (Exhibit IV-2)

The basic grains would account for much of the acreage in Phase II. The export crops, particularly coffee and cotton, would be most impacted in relative terms. (Exhibit IV-3)

As reported to the study team, reasons for not implementing Phase II were several:

1. Carrying out Phase I stretched the Salvadoran government to its administrative and financial limit. Multiplying this effort by a factor of 6 would make an impossible task. In addition the financial burden would be excessive.

2. Owners of Phase II farms comprise a large number of people and constitute a considerable element of the country's political power structure. To move on these farms might severely test government's political might.

3. Phase II farms are large producers of the export crops coffee and cotton. Many, but by no means all, of these farms are well-run. Many of the middle-sized Phase II farms were operated directly by the owners; if they should be forced to leave, continuity of management would be disrupted. There could be a reduction in foreign exchange at a time of critical need.

4. Violence in certain sectors of the country would make implementation of Phase II particularly difficult.

These are persuasive reasons for not implementing Phase II. However, uncertainty about Phase II remains a considerable problem. The study team found that some owners of potentially affected farms, feeling threatened by possible expropriation, have failed to make long-term investments such as planting new coffee. Banks have become hesitant about making capital loans for the same reason. While the study team was unable to obtain a good estimate of agricultural production by its various parts, numerous persons reported that the lagging sector of Salvadoran agriculture was not the farms already involved in the Reform, but the farms potentially affected by it.

The Salvadoran government foresaw this problem and sought to counter it. The basic law granted a 20 percent larger reserve to those owners who maintain production and do not decapitalize. In addition, there was provision for 100 percent cash compensation for improvements made since 1977. The study team was not able to obtain a reliable estimate of the effect of these provisions.

The Salvadoran government has taken a middle-of-the-road approach to the problem. Rather than implement Phase II outright (which the study team

thinks would be extremely difficult if not disastrous) or renounce it flatly (which would reduce the credibility of the reform) the government has been moving slowly and selectively. Some 37 farms of less than 500 hectares were mistakenly acquired under the Phase I expropriation and have been retained. Some Phase II farms have been voluntarily turned over by their owners. Many of these are in troubled areas. More such offers to sell have been made.

Some farms of less than 500 hectares which might be handled as Phase II farms have been considered as rented farms and have come under the Phase III Decree 207 Program. This has sometimes occurred with the owner's approval; if the farm goes into Phase III instead of Phase I he receives 50% rather than 25% of his compensation in cash. Interpretation of what constitutes rental status appears to be sufficiently flexible to permit some latitude in such decisions. More farms might be handled in this fashion. Some farm operators, for reasons of poor health, lack of heirs, or unrest in the rural ares, have demonstrated willingness, if compensated, to enter their farms in the Agrarian Reform. Previous to March 1980 the government acquired some 107 farms by this route.

There is a basis,then, in history and in the present, for proceeding at least in part with Phase II in some manner other than by outright expropriation.

The Salvadoran government's hesitance, up to the present, to declare itself unequivocally on the issue is understandable. But a declaration of intent regarding Phase II is clearly necessary.

The study team is of the opinion that a voluntary approach makes more sense than either outright expropriation or total retreat. In a voluntary program, Phase II farms might enter the Agrarian Reform on a gradual basis. Or owners might sell off some of their acreage and so come below the 100 hectare limit. (Care should be exercised to see that such sales are in good faith)

A "date certain" might be announced, after which farms that had not been brought within Agrarian Reform limits would be intervened. Apparently there is inclination on the part of government and some owners to proceed in this fashion. The study team was not able to estimate what share of the potential Phase II farms would come into the Land Reform under such an arrangement.

The apprehension which now clouds the future of many potential Phase II farms might thus be lifted. The important thing is to remove the uncertainty which presently inhibits production on Phase II farms.

Phase II can be made effective without being made punitive.

EXHIBIT IV - 1

EL SALVADOR: ESTIMATED AREA AND FARMS POTENTIALLY AFFECTED BY PHASE II THE LAND REFORM PROCESS

Size of ownership holding subject by law to intervention (hectares)	100 to 500	
Area affected by the Land Reform		
- Total (hectares)	342,877	(1)
- As percent of total farm area	18.5	
Farms affected by the Land Reform		
- Number	1,739	

SOURCE: FINATA, ISTA and MINPLAN

(1) This total will be reduced because of the former land owner's reserve right to retain 247 to 370 acres, depending on the quality of land retained.

EXHIBIT IV - 2

EL SALVADOR: ESTIMATED POTENTIAL IMPACT OF THE LAND REFORM-PHASE II

REGION		NUMBER OF FARMS	AREA (hectares)
I	West	489	98,569
II	Central	439	88,827
III	Paracentral	276	53,448
IV	East	535	102,034
	TOTAL	1739	342,878 1/

Source: Ministry of Planning and ISTA

1/ Represents 23.6% of total farm area in El Salvador

NOTES: (1) Estimates based on 1971 Agricultural Census and reflects operational units, not ownership units.

(2) Net amount of land affected in Phase II would be significantly less as many affected landlords would retain land under their reserve right.

(3) Phase II Implementation has been indefinitely postponed.

EXHIBIT IV - 3

EL SALVADOR: CULTIVATED AREA OF EXPORT CROPS POTENTIALLY AFFECTED BY PHASE II OF THE REFORM SECTOR 1/

Cultivated area (hectares) 2/	
Sugar cane	4,614
Coffee	44,795
Cotton	25,625
As Percent of Total Cultivated area in the	
Sugar cane	13.5
Coffee	30.5
Cotton	30.4

SOURCE: ISTA, Ministry of Planning, INCAFE and MAG/OSPA/DGEA

1/ Refers to all the farms between 100 and 500 hectares included in the "Third National Agricultural Census-1971", including the corresponding area of the reserve right.

2/ 1980/81

V. DECREE 207

Tne Setting

Decree 207 was promulgated on April 28, 1980 by the Junta Revolucionaria de Gobierno. The decree established the right for renters tilling up to 100 hectares[1/] to purchase up to seven hectares (10 manzanas) of land and freed eligible beneficiaries from paying rent to their former landlords.[2/] If, in fact, they did continue to make rental payments, the amount paid was to be deducted from their future amortization payments as well as from the compensation paid to the previous owners of their land.

Decree 207 is expected to affect up to 178,000 hectares and as many as 150,000 farm families.[3/] The affected land area constitutes 12.3 percent of all farm land area in El Salvador and about 20 percent of all holdings under 100 hectares. The remaining 80 percent of farms under 100 hectares are owner-operated are thus not subject to reform -- a category which includes many viable commercial holdings of over 20 hectares which

---

1/ Under certain conditions cooperatives are exempt as is land devoted to cotton production.

2/ The law is not clear as to exactly who should stop paying rents; 1) those who think they are eligible, 2) those who have applied, or 3) those who have received provisional title.

3/ GOES public statements and most of the written material use an estimate of 150,000 potential 207 beneficiaries of whom 125,000 would be anticipated to apply if able to do so. The 150,000 figure is a projection from 120,000 shown in the 1971 census. Senior FINATA officials believe a more realistic target population would be about 60,000 who can be induced to apply, at least while the present level of hostilities and uncertainties continue. If only 60,000 apply the initial anticipated benefits of the program will be considerably reduced.

EXHIBIT V - 1

	No. of farm families		No. of farm hectares	
	People	%	Hectares	%
Holdings over 500 has. (Phase I)	34,658	7.2	224	12.1
Holdings of 100.1 - 500 has. (Phase II)	50,000	10.4	343	18.5
Decree 207 lands	150,000	31.2	178	9.6
Holdings of less 100 has. not subject to Agrarian Reform	95,342	19.8	1,112	59.9
Landless laborers	150,000	31.2	-	-
Total:	480,000	100.0	1,855	100.0

Source:

The figure on total farm hectares is found in the "Anuario de Estadisticas Agropecuarios 1980-81." The Phase I land area is based on current ISTA data. The land area data for Phase II and Decree 207 were estimated in "El Salvador: The Agrarian Reform Program," USAID/ES, Rural Development Division, June 25, 1981. The non-reform land area is a residual.

The figures on population were obtained as follows: the total number of rural families was given in the Department of State Notes. The Phase I figure is based on the actual number of beneficiaries; it is anticipated that there will be additional persons admitted as cooperative members. The Phase II total was derived from a USAID source which estimated nearly seven hectares would be provided to each beneficiary. The Decree 207 figure is a FINATA projection derived from the 1971 census. The figure for the non-reform area is a residual.

These data are open to question, but they provide an order of magnitude useful to illustrate the issues discussed in the text.

are farmed with the help of colonos and casual laborers, some part-time or weekend coffee growing operations, and an unknown number of owner-operated small subsistence farms.

Most of the holdings eligible for reform under Decree 207 are very small -- the estimated average is 3.2 manzanas (2.3 hectares).[1/] For this reason, the decree will affect a larger proportion of the rural population (about 31.2 percent) than the Phase I and Phase II Agrarian Reforms combined. The great majority of Decree 207 beneficiaries are subsistence farmers, although some also produce surpluses for sale in local markets.

Nearly all Decree 207 beneficiaries and other subsistence farmers in El Salvador produce corn, sometimes in combination with sorghum or, at altitudes above 300 meters, beans.[2/] There is also some rice production by small farmers, although this crop is grown mainly on larger holdings and constitutes only 3.5 percent of total basic grains production nationwide. Other agricultural activities engaged in by subsistence farmers include vegetable and horticultural crop production in small garden plots, some cultivation of sugar cane which is used primarily to produce brown sugar (panela) for domestic consumption, and backyard poultry and swine production.

Except on some of the larger estates, corn and sorghum are generally grown on the less desirable soils, often on steep slopes, the better lands

---

1/ Recent data indicate this figure may be smaller.

2/ Official data indicate that intercropping with beans or sorghum takes place on 27 percent of the corn acreage in El Salvador. There is also some double-cropping (some campesinos had difficulty distinguishing between the two terms) in areas where climatic conditions are favorable for production of a second (apante) crop. This occurs most frequently in the case of beans (43 percent), less frequently for corn (8 percent) and sorghum (negligible).

being reserved for export crops and, in some cases, for pasture. While small corn plots are ubiquitous throughout the country, even in areas where the major activities are plantation crops or livestock, basic grains production would appear to be most heavily concentrated to the north of San Salvador toward Chalatenango and south and west of Sonsonate.[1/]

It is difficult to estimate what portion of El Salvador's basic grains output is produced by Decree 207 beneficiaries. Most Phase I haciendas contain some small plots (milpas) and some haciendas produce basic grains for commercial sale either as a primary or a secondary crop. Available data indicate that Phase I farms account for about 5 percent of the nation's corn production, a slightly smaller proportion of sorghum, 10 percent of the beans and almost 20 percent of the rice. What is less clear is the proportion of the remainder grown on 1) Phase II farms, 2) farms eligible under Decree 207, and 3) farms under 100 hectares that are not affected by the Agrarian Reforms.

The technology used in cultivating the Decree 207 plots ranges from rudimentary to relatively advanced. Official data indicate that 30 percent of the corn in El Salvador is planted using local (national) seed and 70 percent with hybrid seed. This ratio is probably a good indicator of the extent to which traditional versus more modern cultivation methods are employed. However, a lower proportion of Decree 207 farmers utilize the more modern technology than is true for basic grain producers as a group.

1/ See the OAS Map "Zonas de Desarrollo Agricola Prioritario, Republica de El Salvador," 1974, although there has been some shift in areas of cultivation since this map was compiled.

The lowest levels of technology are found in the eastern and more remote northern areas of the country, where improved seeds and other commercial inputs are seldom used and where most small farmers have not had access to bank credit. Except for cash earned from seasonal employment during the coffee and/or cotton harvest, which is generally invested in backyard animal production, small farmers in these areas generally operate outside the money economy. The product of their milpa is divided between on-farm consumption and in kind payments to the landlord.[1/] If they make enough money harvesting coffee and cotton, they may buy fertilizers and other inputs; however, these expenditures are the first to be cut back if funds are short.

Campesinos farming in the western and southwestern part of the country are relatively more advanced. An increasing number of small farmers in these areas are using improved hybrid seeds, fertilizers and other inputs made available by their landlords,[2/] and, in some cases, on credit extended by suppliers. While these farmers tend to sell a larger portion of their output for cash, sales are usually made in small amounts at the nearest urban market rather than through the government marketing organization (Instituto Regulador de Abastecimientos, IRA).

1/ There is some difference of opinion as to whether most renters make payments in cash or in kind. It would appear that where the level of technology permits some cash crop production, rents are generally paid in cash. Where the surplus is largely consumed on-farm, rents are paid in kind. The term "a medias" is used to refer to in kind payments, a media being one fifth of a quintal (100 lbs.).

2/ Generally speaking, it was advantageous for the landlords to provide inputs since they would receive a share of the bigger harvest. However, some owners preferred to limit their involvement with their tenants and were content with smaller returns. The owner's decision was also a function of the size and scale of his operation; those with larger holdings typically encouraged greater use of improved inputs on their farms.

The degree to which the campesino is able to meet basic subsistence needs from farming depends to a significant extent on the level of technology employed. When asked what was the minimum size plot required to support a family of six, farmers using the traditional technology generally answered ten manzanas, while those utilizing improved inputs responded four or five. However, the average campesino plot is only about 3.2 manzanas, indicating that, even among the more advanced farmers, there is considerable dependence on income generated from off-farm employment.

The Provisions and Their Applications

Principal responsibility for implementing Decree 207 has been given to the state land reform agency, Financiera Nacional de Tierras Agricolas (FINATA). FINATA buys the land from the owners and then divides it into lots not exceeding seven hectares for sale to renters and sharecroppers. To date no campesino has requested purchase of more than eight hectares and all but one have been within the seven-hectare limit. Thus, the distribution of tracts larger than seven hectares has not become an issue, and criteria to select buyers have not yet been fully developed.

The law provides for former owners of these lands to be paid 50 percent in cash and 50 percent in bonds, a higher percentage in cash than allowed under the basic Agrarian Reform Law.[1/] As with the basic Agrarian Reform Law, compensation is to be based on the 1976/1977 values declared for net worth tax purposes. Those who declared low values now suffer the consequences in terms of lower compensation.

1/ The Phase I and Phase II programs provide for full compensation in bonds and 25 percent cash payments, respectively. In some cases, Phase II owners, anxious about the future of the program, have voluntarily sold their lands to ISTA and accepted compensation entirely in bonds.

The price paid by the buyer is, on the the other hand, based on the type and class of soil. This procedure ensures that comparable land is comparably priced and avoids cases where land is made available at bargain prices simply because it had been undervalued by its previous owner, as well as cases where no tax declarations were ever made. It was assumed that purchase prices would average out so that the total amount of compensation paid to all previous owners would equal the total amortization payments made by all campesino buyers.[1/]

There is some potential for confusion between the Decree 207 program and the basic Agrarian Reform program, since there are haciendas over 100 hectares (though probably not any over 500 hectares) which are broken up into "rented" plots rather than managed as integrated production units. The form of rental agreement eligible under Decree 207 for land purchase conversion appears to exist on some of these large holdings. This is especially true since Decree 207 provides considerable flexibility in defining rental agreements which may be oral or written, require payment in cash or produce, and include various purchase options. Although the decree does not specify agreements based on labor payments, these too have been accepted. The basic concept is to distinguish between larger units managed as integral commercial enterprises and those farms which are a collection of small renters each managing his own individual plot.

1/ This is a rather hypothetical concept since campesino payments are amortized over a 30-year period with no down payment and at 10 percent annual interest, while compensation is paid 50 percent in cash and 50 percent in 20 year bonds at 7 percent annual interest, indicating that inflation, if nothing else, will make it impossible to achieve a balance. Although the GOES obviously has an immediate cash flow problem, the semblance of equity in sale prices to campesinos is maintained.

In practice, the distinction between Decree 153/154 and Decree 207 lands has been largely based on the type of crops produced. With some very minor exceptions, coffee, cotton, sugar cane and cattle raising are carried out on large integrated units (haciendas) which form the basis for organizing cooperatives qualifying under the basic agrarian reform law, even though a number of these haciendas previously contained some individual parcels where the colonos could grow a portion of their subsistence needs without paying "rent." While there are also a few large integrated farms devoted to production of basic grains,[1/] particularly rice, the great majority of grain is grown on individual parcels for which the tiller formerly paid rent in the form of cash, produce or labor and kept a portion of his crop for home consumption or sale.

In some cases an individual farmer worked the same parcel year after year and in that sense his rental was land-specific. In others, the owner moved him around from parcel to parcel within the same hacienda, a practice which insured that the renter had no proprietary interest in a particular lot of land and was also used as a means of demonstrating favoritism hence maintaining loyalty and control. Those who were less subservient were given poor lands the following year and vice versa. It was not clear why one system was used in some cases and not in others. It may have been related to the size of landholdings and degree of direct management exercised by the owners. One seemingly logical and sometimes

---

1/ Under the Agrarian Reform there has been some minor increase in basic grain production on large estates, both commercially and in milpas, largely at the expense of cotton.

proffered reason, which on investigation appeared not to be the case, was the need or desire for crop rotation and allowing land to lie fallow. However, indications are that, given the pressure on land, the history of cultural practices and the practice of intercropping (particularly corn and beans),[1/] land is not allowed to lie fallow in El Salvador. There were some reports by campesinos of land not being used but often, after further questioning, it turned out that the land was used for cattle grazing. To the land deficient grain farmer, this constituted non-utilization.

Where farmers are rotated instead of crops, the legal issue arises as to whether they are farm workers (part of whose wages may be paid in kind) or arrendatarios (renters). In view of this potential for confusion, owners may react to the law in ways that protect their interests as they see them. Many owners of 100 hectares or less may prefer to have the campesinos tilling the land identified as hired laborers rather than renters or share croppers, thus exempting their land from the Agrarian Reform. It is presumably for this reason that a number of renters have been evicted from the land, reducing the possibility of their making applications under the Decree 207 program. The farm workers organizations estimate that some

---

1/ The intercropping of corn and beans is a striking case of good ecology and good food production. Corn is planted first, in rows. When it has achieved early growth, beans are planted between the rows. The beans, a legume, add nitrogen to the soil, helping the corn. The corn provides a trellis for the beans. Because of their differing growth cycles there is little competition for sunlight and moisture. Carbohydrates from corn and protein from beans are an excellent nutritional combination. With proper cultivation intercropping can be employed year after year on the same ground without fertility loss.

17 percent of those eligible under 207 have been evicted or have not been permitted to renew their contracts. If not actually evicted, renters may be threatened with eviction, or even violence, to discourage them from making claims. Unlike the basic Agrarian Reform Law, under Decree 207 the initial action is taken by the campesino, rather than by the state agency. If the campesino does not request purchase, the land remains with the owner. The threat of eviction or retribution may well be the major obstacle to be overcome if the Decree 207 program is to meet its goals.

If the landowner has more than 100 hectares, he may want his campesinos to qualify under Decree 207 rather than have his hacienda included under Phase I or II of the Agrarian Reform, so that he can obtain a higher percentage of payment in cash. One means to achieve this is to assign plots to colonos and regular laborers while urging them to apply under 207; the study team saw examples of such practice. Another situation that may lead to the "manufacture" of renters is where some, but not all, of the hacienda has been claimed by 207 beneficiaries and the owner wishes to dispose of the patchwork that remains. These plots cannot be sold directly to FINATA by the owner unless the renter so requests. In such case, the owner produces "renters" to purchase the remaining parcels.

Unfortunately, it would appear that the amount of land where there is owner resistance far exceeds the amount where owners are encouraging 207 applications. Unlike in Phase I, the military has not been used to demonstrate the GOES commitment to the 207 reform process. To the contrary,

the evidence indicates that the military has been rather indifferent or has sided with the owners. It should be noted that the landowners resisting Decree 207 are typically smaller landholders. Among the estimated 7,500 owners [1/] affected by the Decree 207 program, the average holding is only 24 hectares. It would appear that those with above average size holdings (who are more likely to be absentee landlords) have generally offered less resistance to the program than owners of farms in the 15-25 hectare range. It has also been reported that some of the smaller landowners (say 10 manzanas) who rent out land and at the same time may rent land themselves, have strongly opposed the program. These medium- and small-sized farms are more likely to constitute the livelihood and way of life of their owners. Since these owners normally do not have the economic options available to larger landholders, but on the other hand may have developed closer local political and military connections, they can and apparently do resist more strongly. An added complication is that some of the smaller rented farms that are not directly owner-supervised are, in fact, owned by intermediate level military personnel.

The Titling Process

FINATA receives the applications for land purchase, evaluates them and arranges for compensation to previous owners and final titling

---

1/ There are higher estimates of this figure which wc ther strengthen the argument that the resistance to lar m comes more strongly from the smaller rather than the lar downers.

to the campesinos.[1/] At present the decree provides a cut off date of March 3, 1982 (one year after publication) for applications for land purchase. Everyone anticipates that this date will be extended since at best only one third of those potentially eligible have now applied. Furthermore, the pace of application seems to be slowing down.

FINATA has developed a 25-step procedure including actions, approvals, notifications and registry required for the titling process. The first four steps, involving the initial application and review of the data contained therein, lead to the issuance of a provisional title. On the basis of this title the campesino can obtain production credit (crédito de avío) from the BFA.

Subsequently a more detailed search of tax and other registration documents is conducted, followed by field visits to locate the parcel on the basis of the aerial photos provided by the Natural Geodetic Institute. Soils classification is then made to establish the valuation for the purchase price. These various data are compiled in the field by a team of FINATA employees called a comité agrario and recorded on official documents in the presence of the campesino and the former landlord, if he chooses to be present. The document indicating location is signed by the owners of adjoining lands and the former owner. A separate document

---

1/ Unlike ISTA, FINATA currently has no continuing management or service functions other than collecting the amortization payments, a function which could in practice be handled by the Banco de Fomento Agropecuario (BFA). However, FINATA officials believe that, in the long run, there will be a need for coordinating assistance to 207 beneficiaries that their agency will be uniquely qualified to perform.

contain soil classification and topographical information. A "socio-economic study" is also undertaken to provide the basis for individual credit plans. Following these field tasks, a number of legal procedures must be completed culminating in compensation of the former owners and titling of the land to the new beneficiaries. The new owner does not know the amount of his mortgage nor the corresponding annual payment until the end of the entire process. The complexity and uncertainties involved may represent a barrier to campesino participation.

As of October 31, some 31,000 applications from 25,000 beneficiaries to purchase approximately 65,000 manzanas had been made, and some 13,000 provisional titles had been issued with another 9,000 anticipated by the end of the year. These provisional titles have been given out at 23 ceremonies so far with 11 more (involving the additional 9,000 titles) planned by the end of the year. No owners have been compensated and no final titles have been issued, although some 3,000 final titles had been promised by the end of 1981. Delays in providing compensation and delivering final titles have raised doubts among the affected parties about the firmness of the GOES commitment to the program, as well as about the administrative competence of FINATA to carry out their assigned tasks within a reasonable period of time.

One major reason for these delays appears to lie in the detailed and legalistic process by which titles must be researched and documented, and the time required to settle counter-claims by former owners and disputes among campesinos as to who is the qualifying renter. The titling process slows down while these issues are resolved, meaning that other less complicated applications must wait longer for attention. The USAID response to the finding that the process is long and legalistic is that, in the long run, it is better to ensure that the titles are legally valid, thus avoiding future disputes.

The Role of Farm Worker Organizations in Agrarian Reform 1/

The role of farm worker organizations and the support they should receive from the U.S. Government have been the subject of some controversy within both the USG and the GOES. These organizations play a larger role than the Agrarian Reform program per se in protecting the interests of small farmers and farm workers vis-a-vis other economic and political groups and vis-a-vis the government. In the U.S. it is widely accepted that free, democratic worker organizations (including both farm worker and urban unions) contribute to the development of a more democratic and equitable society.

1/ The major organizations and "mid-way" estimates of their membership are listed below. The membership figures are at best approximate since the organizations themselves claim higher levels of participation, while rival groups and outside critics say the levels claimed are overstated.

Union Comunal Salvadorna (UCS)	80,000
Asociaciones Cooperativas de Produccion Agropecuaria Integrales (ACOPAI)	9,000
Asociacion Nacional de Indigenas Salvadorenos (ANIS)	3,000
Central de Campesinos Salvadorena (CCS)	3,000
Organizacion de Trabajadores Agricolas (OTRAA)	4,000

For this reason, the U.S. Government has supported AF of L/CIO participation in the development process in Latin America (and elsewhere) since the beginning of the Alliance for Progress.

Some of the leadership of the farm worker organizations, with strong support from the American Institute of Free Labor Development (AIFLD)[1/] had a major part in drafting Decree 207 and lobbying for its enactment. It is understood that there was once concern within the GOES as to whether the AIFLD's role in drafting and urging adoption of the program had not been too great. The team's observation is that this issue is no longer current, even though it is occasionally brought forth in international press reports critical of the GOES. The present GOES leadership accepts the Agrarian Reform programs as their own creation, even though they readily admit that, to some degree, these programs were developed with outside technical assistance and financial support.

The Agrarian Reform effort in El Salvador would appear to be a very appropriate vehicle for farm worker organization assistance. However, the concerns of the survey team were more operational in nature: Are these organizations providing useful assistance and can it be improved? Are their activities complementary to the government efforts or are they at cross purposes? Are their efforts to represent and assist small farmers and farm workers impeded by elements in the GOES and by other elements opposed to agrarian reform?

1/ AIFLD was created by the AF of L/CIO to carry out its technical assistance program in Latin America with substantial support from AID. Its Board of Directors includes representatives at U.S. businesses with interests in Latin America.

can play. The first and most basic role is a promotional one -- to spread the word and convince potential beneficiaries that this is a serious program that merits the risks involved and will produce the long-term benefits promised -- thus supplementing FINATA's promotional efforts which, given staff limitations, are now largely confined to radio announcements and newspaper reporting of ceremonial events. FINATA did involve the worker organizations in its initial massive promotional campaign and utilized them to distribute sample forms throughout the country. In subsequent months, it has relied on these organizations' promotional efforts in various parts of the country although there is some reluctance within FINATA and other GOES agencies to acknowledge this help. On the other hand, the worker organizations, and particularly the Union Comunal Salvadorena (UCS), would have one think that they did it all themselves.[1/]

It would appear from the field interviews that practically everybody first became aware the Decree 207 program by radio. It was less clear how many of the beneficiaries also received information directly from a farm worker organization promotor, although it was certainly a large percentage. In the case of farmers whose landlords did not oppose the program or even encouraged participation, there may have been little if any promotional role for the promotores.[2/] In this situation, word of

---

1/ Aware of the criticism that due credit is not given by the GOES to the worker organizations, FINATA has compiled a list of 18 "Events and Actions" undertaken by campesino organizations in support of the agrarian reform.

2/ The team visited a number of sites where this appeared to be the case.

mouth information spread by other farmers may have convinced those farmers who were initially dubious about the program.

Undoubtedly this role of the promotor is both more crucial and more dangerous [1/] in areas where there is active landlord opposition. Here small farmers may not have had the opportunity to become aware of all the provisions and potential benefits of the law and the promotor can be an on-the-spot source of information. He (or she) can also be a source of encouragement for the farmers to claim their rights of purchase. Operationally, he can help those farmers who are illiterate fill out their application forms.

A second role for the promotores and the regional worker organizations is to assist and support small farmers who are threatened or meet with opposition in pursuing their rights under the law. This is a difficult task as the promotor has no authority on his own and opponents of the Decree 207 program may react quite negatively to his presence. Even FINATA, BFA or other officials who are part of the land reform process may resent his presence as a critical reflection on their own work. People associated with the farm worker organizations tend to interpret this resentment as an expression of opposition to land reform per se.

The promotores and their regional offices can help document actions taken contrary to the law. They can complain consistently to the appropriate civil and military authorities even if it seems a thankless and quite often dangerous task. They can also report instances of non-compliance and contravention of the law to their national headquarters so

---

1/ Some 20 farm worker organization representatives, including the Secretary General of the Unión Comunal Salvadoreña, have been assassinated.

that pressure may be applied at that level as well. This is currently being done although it was not clear to the team how consistently and how well.

A related role for the farm worker organizations is that of monitoring corruption arising for reasons other than ideological opposition to the Agrarian Reform. There are probably fewer opportunities for FINATA employees to engage in corrupt practices than in the case of ISTA where technicians have responsibilities for purchases and sales.[1/] In fact, monitoring of corruption by ISTA officials in carrying out the basic Agrarian Reform program may be one area where the worker organizations can play an especially useful role. However, it is not known how effectively these organizations have performed in such capacity to date.

There is also a role for the farm worker organizations in the area of cooperative development. Once the farmer has obtained his parcel under the Decree 207 program, he is still faced with having to deal with the bank, obtain technical information, purchase inputs and market that portion of his crop he wishes to sell. One way a farmer can better perform these functions is as a member of a cooperative. It is easier for extension agents and other GOES officials to deal with a large group of people through their representative rather than individually.

The farmers need help not only in forming and organizing these cooperatives but also in acquiring the technical and administrative skills to run them.[2/] The Ministry of Agriculture and Livestock's extension service

---

1/ There have also been reports of dishonest practices by IRA, the government marketing organization, in their dealings with the campesino cooperatives formed under the basic Agrarian Reform.

2/ Cooperatives made up of small land owners are referred to by FINATA as Cooperativas de Servicio to distinguish them from the production cooperatives on Phase I haciendas organized by ISTA.

has neither the human nor the financial resources to provide appropriate technical information to all 120,000 anticipated Decree 207 beneficiaries or even half that number. While it could deal with a limited number of cooperatives, the cooperatives leaders would need to be trained to receive and efficiently pass on the information to their membership.

FINATA is considering a proposal to add staff to organize these cooperatives and train their leadership.[1/] However, this proposal is probably unrealistic at the present time in light of FINATA's staff and budgeting limitations in relation to its responsibilities for carrying out Decree 207. FINATA is presently working with 18 co-ops which have been formed. The farm worker organizations through their promotores may be in a better position to organize cooperatives and, in fact, this process has already begun. However, it is uncertain that these organizations have the capacity to provide the technical and administrative training required if the farmers are to fully benefit from the Decree 207 program.

The team's observation, based on limited field exposure, is that the promotores constitute a group of highly dedicated individuals capable of motivating potential beneficiaries to apply for their benefits if the opposition is not too entrenched.[2/] Additional specific knowledge and

---

1/ FINATA has prepared an "anteproyecto" designed to finance and support a staff of 42 promotores and eight supervisors at an estimated cost of one million colores. These personnel would be charged with organizing 210 cooperatives with a combined membership of 21,000 campesinos

2/ The fact that promotores were not present in every area visited by the team may reflect their emphasis on the more difficult areas to which the team had far less exposure.

definition of tasks would enhance their usefulness; for example, they could improve their explanation of the various provisions and financial benefits of the 207 program (e.g., the termination of the obligation to pay rent). The recording and reporting of violations at both the regional and the national levels could be done more systematically to dramatize the need to ensure that all elements of government, both civil and military, support the Agrarian Reform. Finally, new ways should be found to increase the credibility of the farm worker organizations among GOES officials at the highest level.

Credit Requirements

As noted above, most potential 207 beneficiaries had little, if any, direct access to credit in the past. Before the Agrarian Reform program was initiated, bank credit was generally available only to small farmers who could put up tangible assets, such as farm animals as collateral. While some special BFA credit programs were open to small farmers, these reached only a small percentage of the rural population. The amount of credit that was channelled to small farmers indirectly through their landlords or input suppliers is not known.

Under the implementing regulations for Decree 207, it is now possible for the program beneficiaries to obtain credit using provisional titles, even though the land is not really collateral since the bank cannot foreclose. The amount of credit extended is based on the precalculated cost of cultivating a specific crop under given climate conditions and soil classification. On the average, the BFA uses a cost of ¢ 400 per manzana of basic grains.

The credit now available to Decree 207 beneficiaries is strictly production credit (crédito de avío) covering seed, fertilizer, and other purchased inputs (which may be supplied in kind) as well as the value of the farmer's labor, and repayable at the end of the crop season. Thus far, no investment credit lines have been established for 207 beneficiaries although AID is currently considering a loan that could provide some credit of this nature. The formation of cooperatives with the capability to plan for and handle investment credit might attract additional funds for investment credit lines.

There is some confusion on the issue of credit in the minds of many 207 beneficiaries. Since Decree 207 was promulgated, only one planting season has occurred and many campesinos did not receive their provisional title in time to apply for credit. Moreover, BFA had not been fully organized at the local level in all areas of the country. Hence some beneficiaries and some farm worker organizations do not know that credit is available without tangible assets for collateral, and thus continue to believe that BFA is not providing credit to support the Agrarian Reform program.

Based on an average requirement of ₡400 per manzana, some ₡100 million in production credit may be needed to cover the 178,000 hectares (250,000 manzanas) that may ultimately be affected by Decree 207.[1/] However,

---

1/ A significantly higher estimate of Decree 207 credit requirements is obtained if projections are based on credit utilization during the 1981 crop season. Available GOES figures (BFA, Informes Mensuales de Agencias y Depto. de Estadistica, August 1981) indicate that ₡100 million in crédito de avío for basic grains was extended prior to the 1981 season, of which an estimated ₡17.5 million, or 18 percent, was used for land now being farmed under Decree 207. If this rate of credit utilization (about ₡1,300 per eligible beneficiary) continues and if the number of beneficiaries requesting production loans ultimately reaches 120,000, credit requirements for the Decree 207 program would total ₡156 million.

this total amount will not be needed until all eligible beneficiaries have applied for 207 lands and those farmers who are currently employing traditional production methods and thus have little need for credit receive training and motivation to use improved seeds, fertilizers, and other commercial inputs.

Once the full credit program gets underway, the rate of loan defaults is expected to be very low. The study team was repeatedly told that small farmers in El Salvador have a history and psychology of reliable debt repayment. The fact that land amortization payments will be substantially lower than previous rental payments will facilitate repayment of production loans. Moreover, the lack of dependence by El Salvador's basic grain producers on foreign buyers should minimize problems related to instability of market prices and sudden loss of markets.

Rental Payments

While Decree 207 states that participating beneficiaries will no longer be required to pay rent, a number of small farmers are still making rental payments either out of a continuing sense of obligation or loyalty to their landlords, or because they have been (or feel they have been) intimidated to do so. Some landlords, on the other hand, have told their tenants that they no longer have to pay rent and are refusing to accept payments when offered. In some cases, this may be coupled with an agreement on the renter's part not to file an application for purchase, while in other cases it may be an attempt to establish that the farmer is not really a renter at all. Since paying rent is seen by many *campesinos* as a way of establishing legitimacy of possession, they feel uneasy when they do not

pay, as if they were "getting something for nothing."[1/]

FINATA has clearly stated that rent payments will be credited against the land purchase price if the farmer can produce a receipt. However, current evidence indicates that farmers are neither demanding nor receiving such receipts, which were not customarily given by landlords prior to Decree 207.

The problem for farmers who have traditionally paid rent with labor is somewhat different. Such farmers may not have considered these payments as rent, and it may be hard to convince them that they can now afford to make cash amortization payments. If they become owners of their land, they will no longer need to work for their landlords and can seek other part-time employment. However, if there is little or no such employment available, this argument may not seem very strong. Fortunately, the amortization payments should be relatively small and, in real terms, will decline in value over time.

For farmers who continue to contribute labor in lieu of cash, it may be even more difficult to obtain "rent" receipts than is the case for those who pay cash rents, especially because the value of the labor must be expressed in monetary terms if it is to be credited toward the mortgage payment and deducted from the owner's compensation. FINATA officials are not optimistic that unreceipted rents of either type (cash or labor) can effectively reduce future mortgage payments of Decree 207 beneficiaries.

1/ In a recent test case prepared with the help of the worker organizations to allay such fears, two campesinos from each department made advance payments on their mortgages to the FINATA Central office even though the mortgage amounts and payment schedules had not yet been set. BFA branch offices have now been instructed to accept such payments and issue receipts in the future.

Technical Assistance

Prior to the enactment of the Agrarian Reform, agricultural extension services were provided to small- and medium-sized farmers by approximately 150 agents attached to CENTA in the Ministry of Agriculture.[1/] CENTA did not provide extension services to the large haciendas because they were able to hire their own technical advisors. When the basic reform was enacted and the Phase I haciendas intervened, a reversal in policy took place and virtually all CENTA extension activities were redirected to assist the intervened farms in maintaining production levels. This change in policy meant that Decree 207 beneficiaries and other farmers not included in the Phase I program were left without extension services.

Assistance is planned for Decree 207 beneficiaries as soon as sufficient resources become available. However, it is unlikely that the extension service as presently constituted will be able to serve these small farmers on an individual basis.[2/] FINATA and CENTA both recognized that new ways will need to be found to effectively reach as many as 200,000 subsistence farmers while simultaneously serving larger farms. As noted above, FINATA is considering developing capacity to organize cooperatives through which extension services can be provided to Decree 207 beneficiaries; however, it is

---

1/ CENTA also undertakes agronomic research and provides seed multiplication and certification services. It covers all crops except coffee which is handled separately by the Salvadoran Institute for Coffee Research (ISIC). CENTA's services do not include livestock for which there is a separate extension service.

2/ Prior to the reform, CENTA worked with organizations of small farmers called grupos solidarios but the coverage was limited; each group had an average of only 5 farmers and there were 3,000 such groups formed.

questionable whether FINATA can afford to spread its limited resources any further by taking on this substantial and labor-intensive task. One alternative would be to have the worker organizations assist in organizing these cooperatives, in which case they would need assistance, perhaps from CENTA, in training cooperatives to receive and effectively diffuse technical information. Such co-ops not only could serve as a channel for getting technical information to the farmers but also could represent groups of farmers in presenting credit needs, buying inputs, and marketing their produce.

The worker organizations have already started to organize cooperatives among 207 beneficiaries; UCS reports that 108 cooperatives have been formed, ACOPAI 78 cooperatives, and ANIS eight. The extent to which these cooperatives are operational and capable of serving the needs of small farmers was not clear to the team. Except for ANIS, the numbers may err on the high side. Certainly the technical assistance function has not yet been addressed by any of these organizations. If GOES policy were to encourage the worker organizations to form cooperatives among all Decree 207 beneficiaries, this would constitute strong endorsement for small farmers to join not only the cooperatives but also the worker organizations themselves. However, at the present time, there is not sufficient comprehension of these organizations nor agreement among them for either the GOES or the organizations themselves to feel comfortable with such a policy of mutual support.

Equity Considerations

The immediate objective of the Decree 207 program is to improve living standards among those campesinos who formerly farmed the land under some form of rental agreement. This means that the farmers are to receive

a more equitable share of the fruits of their labor and in the process increase their incomes in both absolute and real terms. The Agrarian Reform should also mean that they can now actively participate in making the decisions that affect their lives.

The 207 program, despite certain problems it has had getting started and reaching all its intended beneficiaries, has made a favorable impact on a significant proportion of the rural population. As noted at the beginning of this chapter, the estimated 150,000 potential beneficiaries and their families represent about one-third of El Salvador's rural population.

Based on conversations with campesinos, landowners and GOES officials, and on GOES data such as that contained in the "Anuario de Estadisticas Agropecuarias 1980-1981," it is estimated that the average net income per manzana accruing to Decree 207 beneficiaries was approximately ₡400 in 1980.[1/] If average annual rental payments prior to Decree 207 were ₡200 per manzana (some would dispute this figure as too high, others as too low), and if amortization payments under Decree 207 average out at ₡50 per manzana as anticipated, the farm income of participating campesinos will rise by roughly 40 percent. Assuming that income from farming accounts for one-third of a typical campesino's total annual income, as the data on average land holdings would indicate, total income would rise by 13 percent as a direct result of the shift from tenancy to ownership.

1/ This estimate is a rough approximation which takes into account the different cropping patterns used by Decree 207 beneficiares.

Additional farm income may also accrue from productivity increases brought about by the credit and technical assistance programs associated with Decree 207, as well as by the greater care that farmers may take of land they own rather than rent. On the other hand, Decree 207 will probably have relatively little direct effect on off-farm income, although the extent to which sources of such income are maintained may be at least in part a function of the overall impact of the Agrarian Reform.

While the beneficiaries of the Decree 207 program are not necessarily part of the lowest-income group in El Salvador (a designation which may be reserved for landless laborers) they are in the lower percentiles.[1/] Therefore, all the evidence would indicate that these beneficiaries should not only be better off in absolute terms as a result of the decree (unless their off-farm income declines), but that they should also be receiving a relatively greater share of the returns from production. Income gains will be achieved at the expense of previous owners and also because farm productivity should increase more rapidly than productivity in other sectors of the economy. At first, the anticipated gain in relative terms may be partially offset by the 50 percent cash compensation paid to the previous owners. However, as part of the Agrarian Reform the GOES should also be expanding credit flows and social services to Decree 207 beneficiaries thereby increasing their relative share. Moreover, with inflation, the real cost of the farmers' amortization payments will diminish as will the real value of the 50 percent of compensation paid in bonds. Hence the

---

1/ Some prior landowners may also fall into the low-income categories, but the numbers are unlikely to be very large.

equity position of Decree 207 beneficiaries should improve over time.

Although the general situation and ambiance in which the small farmer finds himself as a result of the Decree 207 program may be hard to quantify in numerical terms, it was easy to observe. The impression of the team was that the campesinos unquestionably were pleased to be no longer the victims of capricious and sometimes severe treatment from their landlords. They also appreciated having their own specific parcels about which they were free to make decisions within the limits of their physical environment and market conditions. Even though this freedom is limited by the fact that most farmers still operate close to the margin of subsistence and need to minimize their risk, it was clear that they enjoyed being their own men (and occasionally women).

The issue has been raised as to whether or not holders of small parcels feel "trapped" by the 30-year prohibition on selling any of their land, coupled with the requirement that they pass it on to one heir only. When this issue was raised in the interviews, the overwhelming majority of farmers responded that the more secure the situation, the better they liked it. Among these farmers, the insecurity of land tenure and usage which they confronted prior to Decree 207 had been perceived as "the wolf at th door." Thus, they do not feel tied down by this provision at the present time, although these feelings could well change in the future.

Conclusions and Recommendations

In general and based on the team's interviews and observations, the Decree 207 program is off to a reasonably good start; however, it is in danger of losing momentum and perhaps credibility. It would appear that the easiest part of the Decree 207 program has been accomplished and, if it is to continue, stronger efforts will be required to assure compliance of the landlords who are resisting the program. Additional information and analysis are needed to ascertain more precisely why there has been a slow-down in applications after no more than a third of the anticipated potential beneficiaries have applied. Among the possible reasons are:

- Inherent inertia and resistance to change;
- Lack of adequate assurance that the program will bring lasting benefits for farmers that are too close to the margin of subsistence to take what they conceive of as undue risks;
- Threats or intimidation by the landowners, the military, or the guerrillas, combined with the perception that the measures being taken to challenge these forces are insufficient or non-existent. It would also be useful to know how many threats are actually carried out and thus taken most seriously by other campesinos.

The reason most frequently given to the team was intimidation. It may be that this was simply the "easiest" answer, and that inertia and lack of confidence are in fact more important than most farmers would care to admit to a foreign interviewer. Nevertheless, intimidation is clearly one major factor, if not the only one.

Based on the answers that emerge from a more probing analysis, appropriate responses can be developed. In the meantime, it would appear

that improvements could be made in several areas of the Decree 207 program, as follows:

a) Promotion. Thus far, efforts by the GOES to promote the Decree 207 program have been limited to exhortations to apply over the radio and various publicized ceremonies.[1/] However, there are indications that many campesinos do not fully comprehend the program and its potential benefits, for example, whether or not they must still pay rent and to whom. Better publicity is needed concerning program benefits, expressed in terms the farmers can appreciate and based on real life examples drawn from case studies of actual beneficiaries.

b) Coordination with Farm Worker Organizations. Mutual understanding and coordination between FINATA and the farm worker organizations would also help get the Decree 207 message across to its target audience while at the same time freeing FINATA staff from having to take on additional tasks. The worker organizations need reassurance that their front line work is appreciated and that their basic role in the society of protecting small farmers' interests is recognized. The GOES, in general, and FINATA, more specifically, in turn need reassurance that these organizations are not just using the Agrarian Reform to further their own ends.

AIFLD has taken and continues to take useful steps to promote dialogue and negotiations between the worker organizations and the GOES toward the objective of giving these organizations a stronger role in representing campesino interests. However, this task is not an easy one and it

---

1/ The team did see some motivational TV material directed at owners that has not yet been used because of fears that it would be "too controversial."

is made more difficult because of rivalries among the various campesino organizations. There could also be improved coordination between the U.S. Embassy and AID, on the one hand, and AIFLD, on the other, although these relationships basically reflect relationships at the Washington level which are not unique to El Salvador.[1/]

c) GOES Response to Threats and Intimidation. The manner in which the GOES responds to campesino complaints of threats of eviction needs to be improved. FINATA itself has no real authority to respond to such complaints and the court system to which it can refer cases is slow and ineffective. Worker organizations can document and publicize abuses but otherwise have little power. The military could play a very positive and important role; however, this would require a specific policy determination at the highest level and steps to ensure that orders were transmitted to, understood, and carried out in the field--no easy task given the history, past attitudes, and command structure of the Salvadoran military, nor one which FINATA can accomplish on its own.[2/]

d) Title Processing. Those aspects of the titling process for which FINATA has responsibility should be streamlined and speeded up. FINATA should identify all actual and potential bottlenecks and determine means to overcome them. It should examine whether or not the process is too

---

1/ AIFLD is both a contractor of AID and a dependency of a separate national political force, the AF of L/CIO.

2/ While a liaison officer for the Agrarian Reform has been assigned by the military for each department, some, if not most, of these officers are not available to either the campesinos or the worker organizations.

legalistic, whether requests by owners for review and adjudication cause undue delays, and whether compensation and titling have, in practice, been linked together to an unnecessary degree. Moreover, efforts should be made to issue a substantial number of titles in the immediate future and then to maintain momentum through further monthly (perhaps even weekly) issuances. As long as titles are not being issued on a continuous basis, FINATA, and hence the GOES, are open to criticism that they are not really committed to land reform and thus might stop or reverse the process in the future. Campesinos who have been granted only provisional titles wonder who has the final one -- the previous owner or FINATA? Their suspicions may be heightened by the fact that ISTA is also not issuing any titles.

However, FINATA, unlike ISTA, has a reasonably finite task. Once all the final titles have been issued, it will have fulfilled its principal function with respect to Decree 207, as BFA can collect the amortization payments. Hence projections can and should be made as to the manpower, budget, and timing needed to complete the titling process on the assumption that at least 80,000 additional campesinos can be induced through promotional efforts to apply for Decree 207 benefits over the course of 1982, or some other reasonable period of time.[1/] It is evident that the final date for application, now set for March 3, 1982, will have to be extended for probably another year, and that any additional funding provided by AID should be predicated on such an extension.

1/ Or a lesser number, if subsequent investigation indicates that the size of the target group has been overestimated.

Apart from funds used for owner compensation, FINATA has received practically all its financing from AID. Some $1,630,000 in loan funds have been provided to cover operating costs for 1981, and another $370,000 in grant funds for technical assistance (Servicios Tecnicos del Caribe) has been made available. FINATA has also been allocated $1,800,000 of PL 480 monies, the unexpended balance of which may have to be "borrowed" to cover the anticipated $200,000 shortfall in its 1981 operating budget.

The team was informed by USAID/El Salvador that AID/W has before it a request for $2,850,000 in loan funds and $800,000 in PL 480 monies for FINATA in 1982. As of November, 1981, FINATA was uninformed of the status of this request and was concerned about whether or not new funds would be made available after the first of the year.

It is assumed that this additional funding is designed to maintain FINATA at its present level of operations which, as indicated, has not been sufficient to produce any final titles. Unless a dramatic acceleration in the pace of the titling process takes place in the immediate future -- and the team received little assurance that this would be the case -- it is recommended that FINATA be provided with the additional staff and funding it needs to produce the necessary results and/or that its procedures be streamlined to enable it to perform effectively within existing funding levels.

e) Application to Small Landowners. One aspect of Decree 207 that may warrant investigation and possibly revision relates to the fact that all rental agreements for farm lands under 100 hectares can now be

converted to purchase agreements.[1/] There are allegations that this provision has worked undue hardships on some low income owners with only a few manzanas to the benefit of purchasers who are better off. It would be useful to know how frequently this has happened or is likely to happen. Such situations, and the opposition they have aroused, might have been avoided if a lower limit had been placed on the size of holdings subject to forced sale, and this had been coupled with strong measures to ensure the fairness of lease-holder agreements for smaller properties. Senior FINATA officials informed the team that they had suggested that a floor (minimum size) be established below which the owner would not be required to sell but had been overruled by higher authorities.

The argument against this proposal is that this puts an undue burden on the GOES to prove that a landowner, in fact, has more land than whatever minimum is allowed. However, one would assume that reasonable ways could be found to surmount this administrative problem if there were sufficient reason to do so.

If upon further investigation it is found that the absence of a lower limit on the size of holdings subject to Decree 207 has worked undue hardship on a significant number of people or is likely to do so in the future, then consideration should be given to modifying the law, even though problems posed by retroactive claims might be extremely difficult to resolve. If, on the other hand, there have been or are likely to be only a few such hardship cases, adjustments for equity should be made on a case by case

---

1/ A special exception in 1980/81 was made for renters of cotton-producing lands.

basis. It is understood from FINATA that some adjustments have already been made.

f) Credit Availability. If the GOES is to build on its successes to date with respect to Decree 207, the availability of an adequate and timely supply of production credit must be assured. As discussed above, it should be relatively easy to project total production credit demand since most 207 lands are cultivated in basic grains; however, one variable is the degree to which small farmers who are not currently using improved seed, fertilizers, and other commercial inputs requiring cash outlays will do so in the future, and thus require credit. If the GOES is serious about pursuing agrarian reform rather than simply land reform, then the improvements in small farmer production techniques essential to raising incomes should be given priority attention.

Interest rates for production credit are clearly being subsidized, but one could argue that this is part of the desired income transfer under the Agrarian Reform program and hence not an issue of concern.

Unlike the large cooperatively-run haciendas, Decree 207 beneficiaries apparently do not have any immediate critical need for investment credits. Thus, the level of interest rates and its effect on land/labor capital utilization is less important a factor. However, the GOES should be asking itself what it will be foregoing in terms of future production and income for 207 beneficiaries if little or no investment credit is provided in the foreseeable future. Soil conservation is one type of expenditure where the availability of such credit might be particularly productive.

g) Technical Assistance. Technical assistance is sorely needed by many small grain producers.[1/] New approaches to delivering such assistance need to be developed, as the audience is far too large to be reached by the methods employed to date. This could be one area where AID or other external donors with appropriate experience could make a useful contribution.

h) Social Services. Most 207 beneficiaries, like those covered by other components of Agrarian Reform, lack adequate basic services such as schools, health clinics including family planning, potable water and housing. In the long run, the Agrarian Reform should include efforts to improve these facilities, as their inadequacy is a glaring reflection of societal inequities. In the short run, however, resources are limited and the GOES must decide whether to focus on increasing production and incomes or financing social services. If social expenditures are postponed, there is a danger that individual small farmers may fall behind those farmers organized in large hacienda enterprises who may receive more attention from the GOES or may have the assets to finance improved services on their own. Again, this may be an area where responsible worker organizations can assist smallholders in spite of overall resource limitations.

1/ Farmers who have been exposed to improved technology and who have had access to the required inputs appear to be using quite appropriate production methods. Because they do not compete in international markets, even with expanded production, farmers indicated they should be able to command prices for their crops adequate to achieve a minimum living standard on four or five manzanas. On the other hand, farmers who continue to employ traditional production methods and who have no outside income felt they would need to cultivate as many as ten manzanas just to feed their families. However, the fact remains that most Decree 207 beneficiaries, even among those using improved techniques, have less than the amount of land required for full subsistence.

VI. SUPPORT FOR THE AGRARIAN REFORM

The Salvadoran Agrarian Reform is an expression of political will. The purposefulness that launched the Reform continues despite opposition from both ends of the political spectrum.

Evidence of the Salvadoran committment is found in the fact that the Reform is being implemented although there is disorder in several areas of the country. The government that launched the Reform has continued in power despite numerous predictions of its collapse.

In implementing the Reform, the Salvadoran Government erected new administrative machinery, put into place with great speed, adjusted and reorganized from time to time in accordance with changing needs.

Support for the Salvadoran Agrarian Reform comes from various farmers' organizations. The largest of these, the Union Comunal Salvadoreña, has been particularly supportive, alterting farmers to their rights and assisting them in filing applications for land.

The Catholic Church has supported the Agrarian Reform, though critical of the government on other counts.

The committment most amenable to quantification is budgetary cost. An early estimate, done by the Salvadoran government, in March of 1980, projected the total cost of Phase I at $1.2 billion, of which $586 million consisted of compensation to former owners. (Strategy Paper, p.13) The U.S. Agency for International Development also made an early estimate, running through 1984. The net cost estimated by the AID Mission is $816 million, credibly close to the estimate made by the Salvadoran Government. (The study team was unable to obtain a later estimate of cost) A susbstantial part of the total cost will be offset by debt service coming from the new owners. But a heavy cost must still be borne.

An Agrarian Reform is not an undertaking whose costs can be anticipated with accuracy. The actual cost may turn out to be greatly different from the estimates.

Foreign exchange costs of the Reform have been estimated by the AID Mission at 1.1 billion (Strategy Paper, p. 14) These costs will arise from imported agricultural inputs and machinery to replace capital removed by former owners. Costs also will arise from the need to compensate former owners now living outside El Salvador, and support for the educational and developmental activities associated with the Reform.

While most of these costs are being borne by El Salvador, there has been substantial help from external sources. The United States supported the Agrarian Reform from the first,undertaking studies, providing advisers and doing analytical work. The United States has provided economic assistance in the form of loans and grants. In fiscal 1982 USAID plans to provide $875,000 in grants, and $17,000,000 in loans to the Agrarian Reform Sector for a total of $17,875,000. In addition, $1,600,000 of assistance for Agrarian Reform organization is being provided under the heading of Economic Support. Beyond that, $15,000,000 is scheduled for help through Public Law 480, an undetermined portion of which will be for Agrarian Reform Activities. The readily definable U.S. assistance for the Agrarian Reform comes to about $20 million (Exhibits VI - 1, VI -2, and VI - 3) This is about 10 per cent of total U.S. economic assistance approximating $200 million.

International organizations supported the Salvadoran Agrarian Reform. The Food and Agricultural Organization, the United Nations Development Program and the International Institute of Cooperation in Agriculture, and Technoserve all provided expertise. The World Bank and the Interamerican Development Bank were active in areas highly complementary to the Agrarian Reform.

Thus support has been marshalled to carry out the Agrarian Reform, both financial and institutional, within the country and from the outside. But needs still press heavily on resources. The great share of the load has been carried by the Salvadorans. The Agrarian Reform has been estimated to cost in the neighborhood of $100 million annually, an amount which may be compared with total expenditures of the Salvadoran Government in 1981 totalling about $700 million. United States assistance for the Agrarian Reform approximates one-fifth of the cost of the Reform.

EXHIBIT VI - 1

A.I.D. ASSISTANCE
TO
EL SALVADOR AGRARIAN REFORM PROGRAM

Development Assistance	FY 1980 Authorized		FY 1980 Expenditures		FY 1981 Authorized		FY 1981 Expenditures		FY 1982 Estimated	
	G	L	G	L	G	L	G	L	G	L
0184- Small Farm Irrigation Systems	-	-	-	230,000	-	-	-	166,540	-	-
0262- Ag. Reform Organization	650,000	11,750,000	-	-			1,190,000	2,075,645	-	-
0263- Ag. Reform Credit	500,000	11,100,000	-	-	-		453,110	8,499,508	625,000	17,000,000
0265- Ag. Reform Consolidation & Support	-	-	-	-	-	-	-	-	-	-
0167- PD&S	266,000	-	266,000	-	260,000	-	201,000	-	250,000	-
0197- Technoserve	-	-	-	-	300,000	-	-	-	-	-
0250- AIFLD Urban Food Stores	100,000		-	-	-	-	10,000	-	-	-
0251- Marginal Community Improvement	200,000	-	-	-	-	-	200,000	-	-	-
0256- Public Sector Employment	3,805,040			3,805,040	5,091,220	-		3,712,441		
DA TOTALS	5,521,040	22,850,000	266,000	4,050,040	5,651,220	-	2,054,110	14,454,134	875,000	17,000,000

NOTE: $0 in FY 1979

USAID/Rural Development Division

EXHIBIT VI - 2

A.I.D. ASSISTANCE TO
EL SALVADOR AGRARIAN REFORM PROGRAM

	FY 1980		FY 1981		FY 1982
	Authorized	Expenditures	Authorized	Expenditures	Estimated
PL-480					
Title I					
0262 - Agrarian Reform Organization					
- Decree 207			1,000,000	1,000,000	
- Credit to Co-ops			1,000,000	1,000,000	
0263 - Agrarian Reform Credit	3,000,000	3,000,000	900,000	900,000	
Agrarian Reform Related Activities					
- Phase I Implementation			2,000,000	2,000,000	
- Medium Term Credit			3,900,000	3,900,000	
- Technical Assistance Contract with Servicios Técnicos del Caribe			1,000,000	1,000,000	
- FINATA			800,000	800,000	
- Agriculture Training			200,000	200,000	
0256 - Public Sector Employment			84,000	84,000	
PL-480 Totals	3,000,000	3,000,000	10,884,000	10,884,000	$15,000,000

* From FY 1983 Congressional Presentation. It has not yet been determined what amounts will be proposed from these totals for Agrarian Reform Activities.

USAID Rural Development Division

EXHIBIT VI - 3

A.I.D. ASSISTANCE TO
EL SALVADOR AGRARIAN REFORM PROGRAM

	FY 1980		FY 1981		FY1982
Economic Support Fund	Authorized	Expenditures	Authorized	Expenditures	Estimated
0259 - Agrarian Reform Support	5,000,000	2,589,000		2,027,000	
0262 - Agrarian Reform Organization	2,600,000			1,133,000	1,600,000
0267 - Private Sector Support			20,000,000	20,000,000	
ESF Totals	7,600,000	2,589,000	20,000,000	23,360,000	1,600,000
Grand Totals	38,971,040	9,890,040	36,535,220	50,752,244	* 51,880,000

* PL-480 totals are included but amounts to be used for agrarian reform activities are not yet determined.

USAID Rural Development Division

VII. AGRARIAN REFORM: STRENGTHS AND LIMITATIONS

Almost anything said about the Agrarian Reform is true of some part of it; the Reform is that complex. One who favors the Reform can, by careful selection, state and document its success. One who opposes can, by an opposite kind of selection, put forward authentic evidence in support of his adverse appraisal.

The task of the study team is to weigh fairly the evidence thus far available. This we have attempted to do, guarding against the human inclination to observe and generalize from the unusual. We first consider the strengths of the Reform and then its limitations.

Strengths of the Agrarian Reform

The first likely achievement of the Agrarian Reform is that the Salvadoran social, economic and political base will broaden.

Considering only Phase I of the Reform, the landownership base may be broadened more than 200 times. If we are to believe the lesson of history, land ownership carries with it a degree of economic security, social status and political power. It will take time, certainly, for the beneficiaries of the Agrarian Reform to consolidate their new economic position, to develop political awareness, and to obtain for themselves social services they have long been without. But reorganization of the land-holding pattern is basic, especially in an agricultural country like El Salvador, with a history of highly concentrated landholding and great pressure of people on land.

The expectation for greater income equity is borne out by the experience of other countries which have undertaken land reform. Quoting the World Bank: "The effects of land reform on rural income distribution are universally

that lower income beneficiaries have gains, while higher-income landlords have lost". (World Bank Staff Working Paper 275, page 92)

Those people who wished to broaden the economic, social and political base perceived, correctly, that the Agrarian Reform was the place to begin.

Total employment is likely to increase as a result of the Agrarian Reform. The increase will probably be modest and insufficient to meet the underemployment which is so widespread. But the effect is likely to be positive. Many of the large pre-reform haciendas generated income that the owner generally considered adequate to his needs. He could affort to use his land extensively, for beef production as an example, if he should happen to fancy the cattle enterprise, even though there might be a more intensive and more profitable use for the land. By contrast, the cooperatives will be under pressure to search out intensive uses for land, that provide more jobs and bring in more income. This could mean a labor-consuming, income-generating dairy enterprise instead of a capital-intensive farm specializing in beef. It could mean crop production on land presently in pasture It could mean a labor-intensive crop like okra. Thus farm employment is likely to increase. Again studies of the World Bank are pertinent: "Evidence exists that the use of labor per hectare is greater on smaller holdings than on large ones." (Land Reform Sector Policy Paper, p. 29)

Net returns from farming formerly went to the few owners of the large haciendas, who spent a considerable part of their incomes out of the country. Prospectively, increased net returns from farming will go to the many beneficiaries of the Reform Sector. As their incomes increase they will probably buy more locally produced consumer goods. There should be some incremental growth in the off-farm jobs necessary to provide these goods.

To summarize this point: both farm and non-farm employment should increase marginally as a result of the Agrarian Reform.

Agricultural production is likely to increase. The widespread view that the Reform Sector would be incapable of sustaining production, let alone increasing it, appears poorly founded. Production has increased in the Reform Sector.

Once more, the experience of other countries is instructive. The World Bank studied the land reforms of Bolivia, Chile, México, Peru and Venezuela and summarized findings as follows: "On the whole, the effects of land reform on production from the affected lands would appear to be positive in the countries where it was examined". (World Bank Staff Working Paper No.275 p. 91). Production increases appear to come in part from greater intensity in the use of land and labor.

Production is likely to increase on the lands reserved by owners. These owners, having now the revenue from fewer acres, will be under greater pressure to make these remaining acres more productive.

The nature of a land reform has much to do with its effect on production. In the Soviet Union, where the reform was harsh, there was a sharp drop in food production, accompanied by starvation for millions. By contrast, in El Salvador, food production in the Reform Sector has increased, and it is reasonable to assume that it will increase farther.

Thus the three objectives of the Agrarian Reform: greater equity, more jobs, and increased production, all seem likely to be achieved in some measure.

But while the directional effects of the Agrarian Reform in these three sectors appear clear, it would be dangerous to entertain exaggerated hopes regarding their magnitude. The limitations of the Agrarian Reform are next discussed.

The Agrarian Reform will not solve the problem of the rural poor. At the bottom of El Salvador's income profile are not the farmers, be they owners, renters, or colonos, but rather the landless laborers. Together with their families they may comprise as many as 740,000 people, 35 percent of the rural population. Half of them are unemployed more than two-thirds of the year. When employed they typically earn less than the official minimum daily wage, $3.26.

In some of the early enthusiasm it was thought that substantial numbers of these people might get land under the Agrarian Reform. Some have, but the number is limited. There was hope that land not now in farms might be developed, creating job opportunities. But the pressure of people on the land is so great that there is relatively little remaining land capable of tillage.

As the Agrarian Reform evolved, the land went to those who already had some demonstrable relation to it: either they lived and worked on the expropriated haciendas or they rented land. There were some newly-formed cooperatives that made room in their associations for a limited number of the landless workers who lived off the farm, and worked on the farm at special times of the year. But this was voluntary, not required. And if the members of the cooperative took in too many people they diluted their own work and income opportunities. Several of the cooperatives we visited were struggling with the problem. Friendship and charity argued for taking goodly numbers of landless laborers into the cooperative; self-interest argued for keeping them out. Several, notably a cooperative called L Labor, planned to solve the the problem by adding new labor-intensive enterprises. But this was not the rule.

Decree 207 farms are prohibited by law from subdividing their tracts in passing the land to the next generation. This is wise from considerations

of efficiency, as most of these farms are already very small, many too small fully to support an average sized family. But the entailment provision means that in a country where family size is large, the tract must be passed intact to a single heir. Thus, in the next generation, for every farmer who is replaced, there will be several landless people who are added.

The Agrarian Reform will somewhat alleviate but will not solve the problems of the rural poor. The Agrarian Reform cannot be expected, of itself, to overcome the problems of an excessively high birthrate and an inadequate rate of increase in rural non-farm employment. Its more limited charge, in which it appears to promise a degree of success, is to redress the various problems that result from excessive concentration in landholding.

The administrative burden and the budgetary cost of the Agrarian Reform will be great, straining the government's resources. It appeared to the study team that the administration on Phases I and Decree 207 was already pushing the government toward its limit. The Agrarian Reform appears to take between one-tenth and one fifth of the government's budget.

The attributes of the Salvadoran Agrarian Reform that make the administrative burden great are the insistence on order, legality, and equity. In some countries land reform meant invading the land, driving off the owners and settling on the property. This of course requires no government administration; it is the antithesis of government process. But in El Salvador, the intention is for orderly process: compensation to the former owners, response to their claims for reserve rights, establishment of titles, schedules or repayment, providing of credit and managerial help to the newly established farmers, and building of infrastructure. This all takes large resources. But very likely it was the effort that permitted Salvadoran farm production to hold up during that most difficult time, the first two years of the Reform.

The Salvadoran Agrarian Reform is immensely complicated by the insurgency. Nineteen of the 327 cooperatives in Phase I have been abandoned because of violence. There are more than 200,000 displaced persons in camps set up to provide food and shelter. This is four percent of the country's total population. Some unknown share of these people are actual or potential participants in the Agrarian Reform. Entire Boards of Directors of the newly formed cooperatives have been killed or have disappeared. The confrontation is between a centrist government and a revolutionary left-wing faction; the Agrarian Reform, a related but not a central issue, is caught in the cross-fire.

Any Agrarian Reform is a long-run undertaking, yielding its results in terms of decades and generations. Success will be achieved only if there is continued committment on the part of the Salvadoran people and their government. The study team sensed that there is this committment now and that the country intends to persevere in the effort to modernize its agricultural institutions.

After two years the Agrarian Reform is in place, and at least the actions taken to date are irreversible. It was difficult to take the land away from a handful of owners and transfer it to many thousands of people. It would be more difficult to take it away from these beneficiaries and transfer it back to the few former owners. The tenacity of a man to hold onto his land, once he has acquired possession of it, is not necessarily related to the size of his tract.

VIII. PROCEDURE

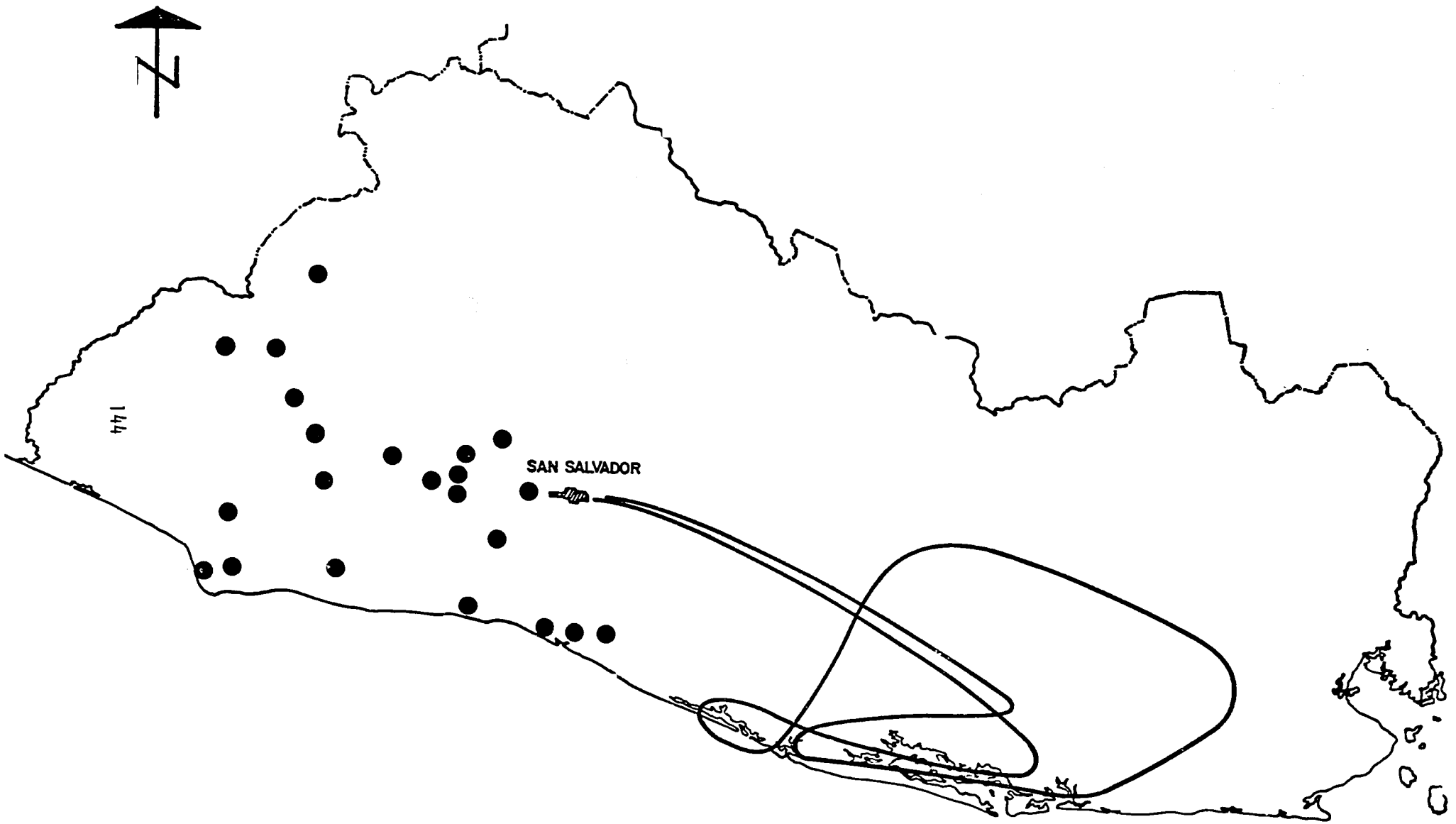
The study team arrived in San Salvador on September 16, 1981, and departed on November 25, 1981, having spent 10 weeks in the country.

Twenty-two farms were visited in 6 of the country's 14 Departments. In-depth interviews were held on all these farms, usually with Boards of Directors of the cooperatives but also with individual farmers. Farms were visited in company with Agrarian Reform officials of the Salvadoran government, who discreetly withdrew during the interviews. Some of the farms were chosen by officials of the Salvadoran government and some were chosen by the study team, at random, from a list. The team felt that among the farms seen were some of the best and some of the poorest, while the performance of most was probably in the middle range or a little better. Most of the farms were in the south and west. It was not possible to visit farms in those parts of the country where insurgents were active. But it was possible to overfly part of the troubled areas. (See map below.)

Both in the rural areas and in the capital city, San Salvador, the team interviewed officials, farmers and members of farmer organizations.

The team was based in San Salvador. The team visited offices of the Department of Agriculture, ISTA, FINATA, Banco de Fomento Agropecuario, and the Office of Planification. In addition, the team consulted with officers of the armed forces, officials and lending officers of various banks, dispossessed former farm owners, international agencies whose work had bearing on the Agrarian Reform,Church officials, supervisors of camps for displaced people, statistical agencies, and members of agribusiness firms. The team visited four regional FINATA offices and two regional UCS offices as well as having extension

EL SALVADOR: Farms visited and area overflown by the CHECCHI Team. 1981



ESCALA: 1:1.000,000

meetings in the Central San Salvador offices. The ACOPAI central office was also visited. Team members met with several hundred 207 beneficiaries both men and women though only a portion of men spoke up individually. Some were members of UCS or ACOPAI. Names of the persons with whom the study team conferred can be made available on request.

The substantial body of literature on the Salvadoran Agrarian Reform, published and unpublished, was drawn upon. Section IX shows the Reference List.

Questions raised by the team were received in friendly fashion. Replies were responsive and on the whole, in the views of team members, frank.

No attempt was made by the AID Mission to influence the emerging views of the study team.

Midway in the study period, a progress report was made to U.S. Ambassador Hinton and his staff.

Early drafts of relevant sections of the Report were reviewed with responsible officials of the Salvadoran government and with a few other knowledgeable people to root out factual errors.

A draft of the report was submitted to the AID Mission prior to putting the Report into final form, as provided by the contract under which the team worked.

The Final Report was submitted to the AID Mission in San Salvador, on November 30, 1981.

Some topics were left unexplored because time was limited. Subjects which might be examined in future studies are:

The structure of small farms, their size, tenure, ownership and enterprises.

Marketing institutions that serve or could serve the cooperatives and the 207 farmers.

Pre-reform cooperatives; what might be learned from their experience that would be useful in shaping policies for Phase I farms?

What is the capacity of the Phase I cooperatives to absorb additional labor?

After suitable time has elapsed, an economic analysis of the Phase I cooperatives could show which practices were most advantageous.

A sociological study could be made of the impact of the agrarian reform on the lives of beneficiaries in both Phase I and 207.

Salvadoran farms affected by the Agrarian Reform typically are large and are known by name. The team visited the following farms, listed in order of the visit:

San Andrés	San Isidro
El Zope	Finca Singuil
El Espino	La Reforma
El Tránsito	La Labor
Pasatiempo	Las Cruces
Santo Tomás	La Aguja
Santa Lucía Orcoyo	El Sunzal
San Arturo	Chiquileca
Santa Clara	Agua Fría
Copapayo	Jabalí
El Sunza	Fiorencia

IX. REFERENCES

1. American Institute for Free Labor Development, Annual Report on Agrarian Reform Grant AID/LAC -G- 1932, March 1, 1980 - April 30,1980 Washington, D.C., August 31, 1981.

2. Anderson, Thomas, Matanza, El Salvador's Communist Revolt of 1932, University of Nebraska Press, Lincoln, 1971.

3. Banco de Fomento Agropecuario, Información Básica Sobre Aplicación de Recursos Financieros del Banco Central de Reserva de El Salvador Para la Provisión de Insumos (Fertilizantes, Semillas y Plaguicidas) en 1980 por el Banco de Fomento Agropecuario, San Salvador, April 1980.

4. Banco de Fomento Agropecuario, Normas de Operación del Financiamiento a los Agricultores Beneficiarios del Decreto No. 207, Miembros de Asociaciones Campesinas y otros Pequeños Agricultores, San Salvador, May 1981.

5. Braverman, Avishay, Agrarian Reforms in Developing Rural Economies Characterized by Interlinked Credit and Tenancy Markets, World Bank Staff Working Paper No. 433, Washington, D.C., October 1980.

6. Browning, David, El Salvador: Landscape and Society, Clarendon Press, Oxford, 1971.

7. Burke, Melvin, El Sistema de Plantación y la Proletarización del Trabajo Agrícola en El Salvador, Estudios Centroamericanos 335-336: 473-86, September-October 1976.

8. CENCAP-PNUD-FAO, Diagnósitco y Plan de Explotación de la Hacienda El Refugio, San Salvador, January 1981.

9. Chapin, Mac, A Few Comments on Land Tenure and The Course of Agrarian Reform in El Salvador, San Salvador, June 1980.

10. Colindres, Eduardo, La Tenencia de la Tierra en El Salvador, Estudios Centroamericanos, September-October 1976.

11. Daines, Samuel and Steen, Dwight, Agriculture Sector Assessment El Salvador, USAID, Washington, D.C., 1977.

12. Daines, Samuel, and Steen, Dwight, El Salvador: Analisis de la Pobreza Rural, USAID/El Salvador San Salvador, August 1977.

13. Dirección General de Estadísticas y Censos, Tercer Censo Nacional Agropecuario. Vol. II, San Salvador, January 1975.

14. Dorner, Peter, ed., Cooperative and Commune: Group Farming in the Economic Development of Agriculture, University of Wisconsin Press, Madison, 1975.

15. Financiera Nacional de Tierras Agrícolas (FINATA), Leyes Complementarias al Proceso de Reforma Agraria, undated.

16. FINATA, Proyecto de Atención a 74,000 Nuevos Beneficiarios del Decreto 207 Durante el Período Comprendido del 27 de Abril al 30 de Junio de 1981, San Salvador, 1980.

17. FINATA, Financiera Nacional de Tierras Agrícolas: Proyecto de Préstamo y Donación GOES-AID Número 519-0262. Organización de la Reforma Agraria. Plan de Implementación del Decreto 207, San Salvador, March 1981.

18. Flinn, William L., Vaugham, Suzanne, and Wright-Romero, Linda V., El Salvador, General Narrative Report of Survey Information, El Salvador Rural Poor Survey, June 1977-May 1978, Ohio State University, July 1981.

19. ISTA, Desarrollo Rural, Gerencia de Desarrollo Comunal Agrario, No. 1, San Salvador, June 1981.

20. ISTA, Determinación de la Amortización Anual A Capital E Intereses de la Asociación ISTA Melara Gerencia Administrativa, San Salvador, July 31, 1981.

21. ISTA, El Proceso de Reforma Agraria en El Salvador, Al 31 de Julio de 1981 Oficina de Planificación, San Salvador, August 1981.

22. ISTA, Informe de Labores, Metas, Actividades y Ejecución Financiera Del Segundo Trimestre de 1981

23. Jackson, Donald, The Communal Cooperative Experience: An Example From El Salvador, Ph.D. Thesis, University of Wisconsin, Madison, 1980.

24. Lele Uma, "Cooperatives and The Poor: A Comparative Perspective," World Development: Vol 9., pp 55-72, Pergamon Press, 1981.

25. Leo Grande, William M., and Robbins, Carla Ann, "Oligarchs and Officers: The Crisis in El Salvador," Foreign Affairs: Vol. 58, No.5, Summer 1980.

26. Leo Grande, William M., "A Splendid Little War, Drawing the Line In El Salvador." International Security, Vol. 6, Number 1., Center For Science and International Affairs, Harvard University, Summer 1981.

27. Ministerio de Agricultura y Ganadería, Legislación de La Junta Revolucionaria de Gobierno Aplicable al Proceso de Reforma Agraria, Departamento de Información Agropecuaria, Santa Tecla, 1980.

28. Ministerio de Agricultura y Ganadería, Plan Agropecuario 1981-1983, San Salvador, March 1981.

29. Ministerio de Agricultura y Ganadería, Anuario de Estadísticas Agropecuarias, Edición 20, Dirección General de Economía Agropecuaria, San Salvador, 1980-81.

30. Ministerio de Agricultura y Ganadería, Fundamentos y Perspectivas Del Proceso de Reforma Agraria, Comisión de Reforma Agraria Nacional (CORAN), San Salvador (Mimeographed), August 1981.

31. Ministerio de Agricultura y Ganadería, Diagnóstico Agro-Socio Económico de la Empresa Campesina de La Reforma Agraria "Hacienda El Tránsito", DIECRA, San Salvador, August 1981.

32. Ministerio de Agricultura y Ganadería, Plan Seminario Sobre Reforma Agraria Para Ejecutivos del Sector Público Agropecuario 31 de Agosto al 4 de Septiembre de 1981, CENCAP, San Salvador, 1981.

33. Ministerio de Agricultura y Ganadería, Fundamentos y Perspectivas Del Proceso de Reforma Agraria en El Salvador, San Salvador, September 1981.

34. Ministerio de Agricultura y Ganadería, Evaluación del Proceso de Reforma Agraria (Marzo de 1980 a Julio de 1981, OSPA/PERA, San Salvador, September 1981.

35. Montes, Segundo, S.J., Situación del Agro Salvadoreño y Sus Implicaciones Sociales, Estudios Centroamericanos, July-August 1973.

36. News Gazette, "El Salvador's Major Social Problem: 200,000 Displaced" Speech by Dean R. Hinton, U.S. Ambassador to El Salvador, to Kiwanis Club, page 1, September 13-19, 1981.

37. OAS, Tenencia de la Tierra y Desarrollo Rural en Centroamérica, Editorial Universidad Centroamericana, San José, 1976.

38. Organización Internacional del Trabajo, Situación y Perspectivas del Empleo en El Salvador, Vol. I, Santiago, 1977.

39. Ortiz, Dr. Raúl, Aspectos Económicos y Sociales de La Reforma Agraria, Instituto Interamericano de Cooperación Agrícola, San Salvador, 1981.

40. Presidential Mission on Agricultural Development in Central America and the Caribbean, Report of the Commission, Tallahassee, Florida, August 1980.

41. Prosterman, Roy L., "Land Reform as Foreign Aid," Foreign Policy, Spring 1972.

42. Prosterman, Roy L., Reidinger, Jeffrey, and Temple, Mary W., "Land Reform and the El Salvador Crisis," International Security Volume 6, Number 1, Center For Science and International Affairs, Harvard University, Summer 1981.

43. Rural Development Division, USAID/El Salvador, El Salvador: Basic Information on the Agrarian Reform Process, San Salvador, June 5, 1981

44. Simon, Lawrence R., and Stephens, James C. Jr., El Salvador Land Reform 1980-1981 Impact Audit, Oxfam America, Boston, February 1981

45. Satterthwaite, Ridgeway, Campesino Agriculture and Hacienda Modernization in Coastal El Salvador 1949-1969, Ph.D. dissertation, University of Wisconsin, Madison, 1971.

46. Area Handbook For El Salvador, Superintendent of Documents, USGPO, Washington, 1971.

47. Unión Comunal Salvadoreña, Ley Básica de Reforma Agraria En El Salvador Departamento de Promoción, San Salvador, March 1981.

48. U.S. Dept. of State, Communist Interference in El Salvador, Special Report Number 80. Bureau of Public Affairs, Washington, February 23, 1981.

49. U.S. Department of State, El Salvador: The Search For Peace, Background Study, Bureau of Public Affairs, Washington, D.C., September 1981.

50. U.S. International Development Cooperation, Agency for International Development, El Salvador: Project Paper Agrarian Reform Organization, Washington, D.C., 1980.

51. U.S. International Development Cooperation Agency, Agency for International Development, USAID Program Description El Salvador, Washington, D.C., June 1, 1981.

52. USAID/El Salvador, El Salvador: The Agrarian Reform, San Salvador, 1980.

53. USAID/El Salvador, El Salvador Agrarian Reform Sector Strategy Paper, San Salvador, July 21, 1980.

54. USAID/El Salvador, Status of the Agrarian Reform as of April 30,1981. San Salvador, 1981.

55. USAID/El Salvador, Rural Development Division, El Salvador: The Agrarian Reform Program, San Salvador, June 5, 1981.

56. Wall Street Journal, "Will Reform Save Salvador?" New York, October 8, 1980.

57. White, Alastair, El Salvador, Praeger, New York, 1973.

58. World Bank, Land Reform, Sector Policy Paper, Washington, D.C., May 1975.

59. World Bank, Land Reform in Latin America: Bolivia, Chile, Mexico, Peru and Venezuela, World Bank Staff Working Paper, No. 275, Washington, D.C., April 1978.

60. World Bank, El Salvador Demographic Issues and Prospects. World Bank Country Study, Latin America and the Caribbean Regional Office, Washington, D.C., October 1979.

APPENDIX A

RESUMES OF STUDY TEAM

Proposed: Senior Policy Advisor

DON PAARLBERG

EDUCATION:

Ph.D., Agricultural Economics, Cornell University, 1946.
M.S., Agricultural Economics, Cornell University, 1943.
B.S., Agricultural Economics, Purdue University, 1940.

QUALIFYING EXPERIENCE:

Internationally recognized as an outstanding agricultural economist. Has been U.S. Assistant Secretary of Agriculture, Economics Advisor to four Secretaries of Agriculture, and Director of Agricultural Economics, U.S. Department of Agriculture where he participated directly in formulating agricultural development plans for Arab countries. Consultant to USAID on agricultural development programs, to the Ford Foundation in Malaysia and Peru; field work in Iran and Turkey.

PROFESSIONAL HISTORY:

1977 - present	Professor Emeritus, Purdue University.
1969 - 1977	Director of Agricultural Economics, U.S. Department of Agriculture and Economics Advisor to the Secretary of Agriculture (1969-1976), Assistant Secretary of Agriculture (1976-1977), and Chairman, General Administration Board, U.S. Department of Agriculture Graduate School (1970-1976).
1961 - 1969	Hillenbrand Professor of Agricultural Economics, Purdue University. Engaged in teaching and research. Consultant to Ford Foundation in Malaysia, to USAID in Peru, and to the Campbell Soup Company.
1953 - 1961	Served in the Eisenhower Administration holding these positions: Assistant to the Secretary of Agriculture (1953-1957), Assistant Secretary of Agriculture (1957-1958), Special Assistant (Economics) to the President (1958-1960), and Food for Peace Coordinator (1960).
1946 - 1953	Professor, Purdue University. Taught agricultural economics and conducted research.
1944 - 1945	Plant Breeder, Robson Seed Farms, Hall, New York.

SELECTED PUBLICATIONS:

Food (with F.A. Pearson), 1944.

American Farm Policy, 1964.

Great Myths of Economics, 1968.

Don Paarlberg

Farm and Food Policy: Issues of the 1980's, University of Nebraska Press, 1980.

Also numerous articles and bulletins.

HONORS AND PROFESSIONAL MEMBERSHIPS:

Doctor of Agriculture, Purdue University, 1979.
Fellow, American Agricultural Economics Association.
D. Howard Doane Award for Distinguished Service to American Agriculture, American Society of Farm Managers and Rural Appraisers.

Proposed: Economic Development and Management

PETER M. CODY

EDUCATION: B.A., International Relations, Yale College, 1947.
M.A., Economics, Yale University, 1948.
All but dissertation completed for Ph.D. in Economics, 1949.

QUALIFYING EXPERIENCE: Twenty-six years with AID and predecessor agencies, including 11 years as Director of AID Missions in the Philippines, Ecuador, and Paraguay and two years as Director of Operations Appraisal Staff. Broad experience in the design and management of rural development programs including agricultural credit and services, rural infrastructure, institution building, and manpower planning and training. Senior development economist on Checchi team surveying rural sector of Mauritanian economy and formulating future development strategies. Fluent in Spanish and French.

PROFESSIONAL HISTORY:

1981 - present: Checchi and Company. Presently assigned as Senior Development Economist and Advisor to team conducting a Rural Assessment and Manpower Survey and developing policy and program options for the rural sector in Mauritania.

1979 - 1980: AID Representative, Beirut, Lebanon. In charge of the U.S. Government office located in Beirut responsible for planning, negotiating, directing, and evaluating the relief, reconstruction, and rehabilitation provided to Lebanon as a result of the internal strife that has occurred since 1975.

1976 - 1979: Mission Director, USAID Mission to the Philippines, in charge of the U.S. economic and social development loan and technical assistance program to the Philippines. Responsible for planning, negotiating, and supervising the U.S. input of $80-100 million a year including Public Law 480 agricultural commodities and Supporting Assistance derived from the U.S.-Philippine military bases agreement. Aid was provided in the fields of agriculture - credit, crop protection, irrigation, aquaculture, extension, farm to market roads, cooperatives, land reform and forestry, public health, environmental sanitation and water supply, nutrition, family planning, education, public administration, rural electrification, and non-conventional energy. Supervised over 100 direct hire and contract U.S. employees and 200 Filipinos.

Peter M. Cody

1975 - 1976: Director, Operations Appraisal Staff, Agency for International Development, Washington, D. C. Director of an office responsible for providing appraisal of operational policy and its effectiveness in implementation to Senior AID management. Supervised a staff of seven senior experienced AID officials and participated with them in appraisals of AID programs in Indonesia, Haiti, Bolivia, Central America, Tunisia, Morocco, Yemen, Tanzania, and regional African programs.

1971 - 1975: Mission Director, USAID Mission to Ecuador. Administered 35 U.S. and 50 Ecuadorian staff working in programs including credit for agricultural and industrial development, agricultural cooperatives, housing, education -- both formal and nonformal -- public health, nutrition, family planning, public safety, and narcotics control.

1967 - 1971: Mission Director, USAID Mission to Paraguay. Program emphasis was on agriculture and livestock, small-scale industrial development, education, tax administration, public health and family planning, municipal development, and creation of a savings and loan system.

1965 - 1969: Deputy USAID Mission Director, Laos. Under supervision of Director, participated in administering $50 million grant assistance program involving activities in agriculture, education, public health, rural and community development, refugee relief, roads and airport construction, and public safety.

1964 - 1965: Director, Office of Vietnam Affairs, Washington, D. C. Director of the 30-person office in Washington which backstopped the USAID Mission in Vietnam.

1963 - 1964: Deputy USAID Mission Director, Phnom Penh, Cambodia. Performed the normal functions of Deputy Director in a $20 million grant program involving agriculture, education, public health, small-scale industry development, public safety, public administration, and the commercial import program (importing U.S. goods for sale to generate local currency for program use).

1961 - 1963: Program Officer, USAID Mission to Cambodia. In charge of the office of the mission that prepared plans, budgets, and other program documentation and justifications for the mission and provided evaluations.

Peter M. Cody

1959 - 1961:	Office of Laos Affairs, Washington, D. C. Served first as the second man and for the last year, in charge of the office that backed USAID Mission in Laos.
1957 - 1959:	Program Officer, USAID Mission to El Salvador. Prepared the planning, budgeting, monitoring, and evaluation required for a $2 million technical assistance program.
1954 - 1957:	Economic Advisor and Program Officer, U. S. Office of Technical Cooperation, Mexico. Performed the technical assistance functions of Program Officer for activities in agriculture, education, industrial development, and public health.
1950 - 1954:	Economist, Board of Governors of the Federal Reserve System, Washington, D. C. Served in the Business Conditions Section of the Division of Research and Statistics. Participated in the post-war revision of the index of industrial production. Developed the annual bench mark indices for approximately 40 percent of the total index.
1948 - 1950:	Instructor of Economics, Yale University. Taught introductory economics.
1947 - 1948:	Assistant to the Professor, Labor Economics and Collective Bargaining, Yale University, working part-time while enrolled as a full-time graduate student.
1942 - 1946:	Military Service. Inactive duty to 1962. Honorably discharged.
LANGUAGES:	Fluent Spanish and French.
PERSONAL:	Born 1925; U.S. citizen.

RONALD J. IVEY

EDUCATION:

M.A., Economics, University of Virginia, 1976.
B.S., Business Administration, University of Denver, 1966.

QUALIFYING EXPERIENCE:

Fifteen years experience in economic consulting, research and project implementation in fields encompassing agricultural and rural development, agricultural cooperatives, cooperative housing, tourism and social services. Has undertaken eight assignments in Central America which have included several evaluations of peasant cooperatives. Organized and assisted agricultural marketing and production cooperatives in Peru. Fluent in Spanish with considerable experience in carrying out interviews in Spanish. Raised on a Colorado farm. Skilled in report writing.

PROFESSIONAL HISTORY:

1980 - present: Senior Development Consultant, Checchi and Company. In Charge of promotion and proposal development in Latin America and Caribbean, and worldwide associate network.

November 1978 - 1980: Economic Planner with the Charlottesville (Virginia) Department of Community Development. Specialized in grant procurement and management, development and tourism.

March 1978 - November 1978: Served as Chief-of-Party for evaluation of a $1.7 million agro-industrial development program financed by AID/Honduras. The evaluation was designed to measure benefits to peasants who had gained their land through agrarian reform. Was responsible for economic and institutional aspects of the study.

Performed a technical evaluation of the Tourism Development Program of the Organization of American States (OAS). Field work was carried out in five Latin American countries.

August 1976 - February 1978: Executive Director of the Greene County (Virginia) Community Development Advisory Commitree in charge of economic and social programs in industrial development, transportation, housing, recreation, senior citizens activities, and infrastructural development for totally rural county.

January 1976 - August 1976: Industrial Development Specialist for Greene County, Virginia, Economic Development Corporation. Assisted in the formation of the industrial development authority procured FmHA funding for industrial site development, and identified and purchased sites.

1972 - 1977: Economic Consultant, Checchi and Company. Conducted two evaluations of Latin American Agribusiness Development Corporation, an institution lending and investing in agro-industries. These evaluations involved measuring economic benefits to small farmers and cooperative groups in Central America. Assisted with the market analysis for the Bahia Culebra resort project funded by the Central American Bank for Economic Integration through the Costa Rican Government.

Served as Assistant Director of an OEO-funded technical assistance project for agricultural cooperatives located nationwide. As a part of this project, provided managerial and financial advice to numerous, minority-owned agricultural cooperatives, and participated in several membership surveys.

Member of a United Nations-sponsored team, preparing a national tourism master plan for the Government of Indonesia. Developed an operational scheme for a Central American regional tourism marketing organization. Recommendations were based on interviews with tourism sector operatives throughout the Isthmus. Prepared a market study and locational analysis as a part of a plan for a commercial complex to be developed in Austin, Texas. For a Swiss manufacturer of manmade fiber production equipment, developed a U.S. market study for its equipment and services.

Assisted in developing a typology of the second home industry in a study for the Department of Transportation to determine the effects of highway infrastructural development upon that industry and related rural development. Contributed to the formulation of an evaluation methodology concerning economic impact of civil defense evacuation.

1969 - 1972: Economic Development Specialist for Uplands, Inc., of Durango, Colorado. Worked with Navajos in consumer and agricultural cooperative development.

1968 - 1969: Housing Specialist with the Colorado Migrant Council of Denver, Colorado. Formulated and brought into being first two self-help (cooperative construction) housing projects in Colorado. These projects were for Spanish-speaking migrants and field workers. Incorporated Colorado Housing Development Corporation to provide housing to low-income families in that State. Oversaw vocational training and housing rehabilitation activities.

1966 - 1968: Peace Corps Volunteer in Peru organizing and assisting agricultural marketing cooperatives. Provided day-to-day advice, performed feasibility and market analyses, and educational programs and bookkeeping training.

LANGUAGES: Fluent in Spanish; working knowledge of French and Portuguese. Traveled in more than thirty countries.

PUBLICATIONS: Co-author with Jack C. Corbett of An Evaluation of the Latin American Agribusiness Development Corporation, Washington: Checchi and Company/AID, August 1974, quoted extensively in The Fields Have Turned Brown by Susan DeMarco and Suan Sechler (published May 1975, in Washington, D.C.).

Conference/Convention Market for the Proposed Vinegar Hill Project, City of Charlottesville, Department of Planning and Community Development, May 1979.

C&O Railroad Station Reusability Study, feasibility analysis prepared in cooperation with M. Jack Rinehart, Jr., Architect, November 1979.

APPENDIX B

PRESENT STATUS: HACIENDA COPAPAYO, A SHORT CASE HISTORY

APPENDIX B

PRESENT STATUS: HACIENDA COPAPAYO, A SHORT CASE HISTORY

The purpose of including a case history is to provide the reader with a visual impression of a Phase I farm. It serves to illustrate some of the dynamics, problems and triumphs of these new enterprises. This case does not represent the average, as the cooperative described is above average in many respects.

Hacienda Copapayo is located relatively near to San Salvador, only 20 miles away on the road to Sonsonate. A rough dirt road, about a mile in length and lined with little houses (ranchos), leads to the main farm buildings (casco). Most of the farm buildings are adobe with stucco facades and red tile roofs. The farm is old and the buildings are in need of maintenance. Armed, uniformed soldiers are present. An oxcart pulled by two oxen is being unloaded. A large metal trailer for hauling cane is undergoing repairs.

A meeting was hastily set up for the study team with the Board of Directors and a good number of co-op members. About 40 persons attended the meeting. The meeting was held in a small building with an old blackboard in front of the room. A series of crude, wooden benches face the blackboard. An old sign standing in the corner says that this was the old hacienda school. The back of the little building is open; there is no wall.

At the time of the intervention there were 32 colonos and their families living on the farm. The farm had a total of 577 hectares. The former owner hired additional workers so that sixty persons worked year round on the farm before intervention. After the co-op started managing the farm, they decided to increase their rice production which required more manpower. They, in turn, decided to allow more members into the cooperative to provide that

additional labor. They presently have 102 members and are planning to raise the membership total to 120. The Board must approve any new member who presents his candidacy. The criteria for selction are that the candidate must have no known vices and be a good worker.

New houses, (very humble ones, for sure) have been built to accomodate the additional members, many of them along the entry road. Of the present membership, 75 with their families (an estimated total of 401 persons) are living on the farm. Other members live nearby, some in a neighboring small town (cantón).

The major crops raised on this farm are sugar cane, the predominant crop, corn, beans and rice. Each member has been given one-third of a hectare for his personal garden (milpa) on which he can grow corn and beans. The corn and beans provide the bulk of his family's sustenance. The members estimate that their garden areas are ample enough to yield a year's supply of corn for a family with six children.

The farm was intervened on March 7, 1980 by soldiers and ISTA personnel. On that day the colonos and other workers formed a cooperative and elected their Board of Directors. They have had to make several changes in the Board. To wit, the president has been changed twice.

The Board expressed satisfaction with the way the ISTA technician works with them under the co-management arrangement. They stated that the technician gives them options when trying to reach a decision, and does not try to force them. They summed up the co-management relationship by saying "it is a sort of 50-50 relationship where (they) talk over any decisions to be made". They estimated they will be able to manage themselves in three years, based on the fact they have already learned a lot. For example, they have

learned to plan work and set up the payroll so they can receive money from the bank to pay members.

The ISTA technician does not live on the farm, but commutes daily from a nearby small town. The technician confided that the presence of the soldiers on the farm had "caused some problems".

The Board of Directors stated that sixy percent of the membership reportedly felt like owners of the farm; the other 40 percent felt like they were just workers receiving salaries. The leadership tries to overcome this lack of confidence by having meetings every Wednesday for the entire membership. At these meetings, ideas are presented on cooperativism and marketing. One person noted that the members are often so tired from their toils, that education is difficult. Also, 40 percent of the adults are illiterate. To relieve this problem, a Ministry of Education literacy program has been initiated. The adults attending were described as enthusiastic. They estimated they will be able to learn to read and write at a minimal level after just four months of instruction (of about two hours of classes per day).

The cooperative receives its financing from the Banco Hipotecario. The cooperative paid off its production loans for 1980/81. The credit plan is developed with the ten directors meeting with the ISTA technician and the bank's agent to discuss the financing needs of the farm for the coming year. Basically, they plan what crops and how much of each crop they will raise.

The bank's agent vists the farm every week. The directors meet weekly to prepare the payroll for presentation to the agent in order that he approve the loan disbursement.

One member was caught misusing money belonging to the cooperative. He

was disciplined publicly, but not deprived of membership.

The cooperative has also made a payment to ISTA on its Agrarian Reform debt (thus amortizing the mortgage on the farm). It is only one of two cooperatives to do this thus far. (The study team believes that this was an astute effort on the part of this cooperative to "legalize" the land transfer to them even though they have received no land title to date).

What was different about the way the cooperative was run as compared to the hacienda operation? The members replied that, first and foremost, there was a participation by all in the cooperative's activities.

Second, they said they treat each other better (and the study team assumed their mutual treatment was better than that of the former owner). Third, they try to take into consideration their members' abilities. In other words, if a member is old, he is given a less physically demanding task. Their overall outlook is that they want to better themselves economically.

This cooperative had profits for 1980/81. With their profits they purchased a pickup, a corn sheller and a corn grinder. This co-op was also the only one visited which distributed profits among its members. Each member received ₡300 (U.S. $120) in corn.

The cooperative's accounting was up-to-date and the study team determined it to be using sound practices. One member has the task of recording all transactions in a journal. The journal is picked up by a San Salvadoran accounting firm, and monthly statements are prepared and forwarded to the cooperative within 15 days. This cooperative was the only one visited which had completed formulating an ISTA-approved set of statutes.

The cooperative had affiliated itself with a confederation of intervened haciendas so that it could get information and ideas from other co-op

operations. It said it did not really know anything about the peasant organizations, and had not been approached by them.

Many problems remain to be solved by the cooperative. The improvement of old housing and construction of new houses was a major concern. Health care wasa problem with the nearest clinic 6 miles away. The co-op members travel on foot or by bus on the main road. The co-op had financed its members' health care, advancing them money for the visit and medicine which was deducted from the payroll. Education for children seemed less than fully satisfactory. Not all children were going to school. The parents lamented that each student had to pay 36 cents per day to ride the bus to school and that was a considerable financial burden for them. There was no violence either on or near this farm.

10. Water Resources

Bodeux, A. 1972. Hydrologie et bilan de l'eau du bassin versant de la Karuzi au Burundi. Archives de la Mission Karuzi, v. 4.

Bertossa, A. 1969. Eaux minérales et thermales du Rwanda. Proceedings of XXIII International Geological Congress Symposium II: Mineral and Thermal Waters of the World B-Overseas Countries. Prague: Academia pp. 139-142.

Caponera, D.A. 1976. Burundi: In Water Law in Selected African Countries. Rome: FAO. pp. 63-75.

Dubreuil, P. and G. Williaume. 1975. Influence du Milieu Physio-Climatique sur L'Écoulement de Petits Bassins Intertropicaux. International Conference on the Hydrological Characteristics of River Basins and the Effects of these Characteristics on Better Water Management. Tokyo: International Association of Hydrological Science. pp. 205-210.

Kiss, R. 1976. Étude hydrobiologique des lacs de l'Akagera moyenne. Butare, Rwanda: Institute National de Recherche Scientifique.

Klock, T.E. 1980. Study o. e potential for developing nine small hydropower schemes in Rwanda. Washington, D.C.: U.S. AID/PRC Energy Analysis Co.

Newman, F.C. 1974. Temperature steps in Lake Kivu: A bottom heated saline lake. Journal of Physical Oceanography 6(2):157-163.

Thompson, K. 1976. Swamp development in the Headwaters of the White Nile. In The Nile: Biology of an Ancient River. J. Rzoska, ed. Amsterdam: Dr. W. Junk, B.V. pp. 177-196.

van der Leedens, F. 1975. Water Resources of the World. Port Washington, N.Y.: Water Information Center 568 pp.

White, G.F., D.J. Bradley, and A.V. White. 1972. Drawers of Water: Domestic water use in East Africa. Chicago: University of Chicago Press.

PROJECT NUMBER:

PROCESS: ACTION: DATES: INITIALS:

CATALOGUE

ABSTRACT ✓ARDA

FICHE

COMMENTS: 180