

PA-NEI-978

12/1 00/1/1

April 20, 1981

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SUBJECT: Private Sector Participation in Phase I of the
Agrarian Reform of El Salvador

DRAFT/ REPORT

SUBJECT TO REVISIONS AND ADDITIONS

I EVALUATION OF ORGANIZATION STRUCTURE AND MANGEMENT SYSTEMS OF PHASE I COOPERATIVES: The identification of management related problems, their scope and relative importance to the financial viability of Phase I Cooperatives and Campesino Associations.

In a series of meetings with Government of El Salvador (GOES) Officials, principally in the Ministry of Agriculture (MAG), the Salvadorean Institute of Agrarian Reform (ISTA), the Office of Agricultural Sector Planning (OSPA), review of pertinent documents, and interviews with campesino cooperative leaders, the following critical and widespread management related problems were identified:

A) Lines of authority are vague in existing co-participation management teams on intervened Phase I farms, making it extremely difficult to evolve toward self-sufficient empresas autogestionarias. This is a critical and fairly common problem.

Decisions made by ISTA personnel and the Board of Directors of a Cooperative must be made unanimously. Unfortunately, many decisions are made tacitly only by former administrators, who have been rehired and ISTA personnel. Such decisions are not necessarily imposed however, rather the assertiveness of ISTA personnel, the cooperative leadership's general shyness and lack of experience in articulating their views often create this impression.

While administratively ISTA technicians are supposed to have command authority, in many instances social promoters have formed working relationship with cooperative leaders, which at times override the technician's authority. Disagreements of this type have tended to create resentment among cooperative leadership.

B) The problem of ISTA technician's lack of training and ability to perform in their administrative roles.

According to ISTA officials, 80% of ISTA technicians lack administrative ability. This is not surprising. The majority of technicians borrowed from other MAG institutions last year, only occupied technical positions. As of April 1981, over 40% have been pulled out and returned to their former duties; while many of those who remain, are recent university graduates and have no previous management experience.

Attitudes also play an important role in effective farm management, requiring a sensitivity to campesino problems which many technicians do not have. Since the inception of the Agrarian Reform, over 20% of originally placed administrative technicians have been removed, principally for disciplinary reasons; although in all fairness, over 60% have remained at their posts over the last year. One of the questions posed by the situation is how to provide intensive education for ISTA technicians, so they may truly function as farm managers.

One of the principal reasons why there is such a high turnover and little attraction for high caliber people having farm management abilities, are the lack of significant incentives to keep technicians at the farm sites.

C) The campesinos problem to identify with the cooperative as the legal owner of the farm and as a means to better their own standard of living.

While reversal of the Agrarian Reform process affecting Phase I haciendas is no longer a major preoccupation, it is still a source of concern to the cooperatives. The failure of past attempts at reform, contrary to what the government may say, still gives hesitancy to the campesino's actions. Perhaps of more immediate concern, however, is the tendency of cooperative members to view ISTA personnel, former administrators, and their own cooperative leadership as a group apart from their own daily concerns and wants. Many Phase I campesinos have not seen real change in their social and economic situation.

D) The problem of cooperative membership standing outside of the decision making process.

The class division between cooperative leaders and former administrators on the one hand, and the cooperative members on the other, still exists. Election of cooperative leaders has merely confirmed this division in many campesinos minds.

Cooperative members long accustomed to: passive roles, receiving work orders, ignorance of any other world outside the confines of the hacienda, have great difficulty articulating their wants and needs, and then forcing action by their elected officials.

There is a sense of fatalism which hovers over the campesino's lives; a view of the external world which is not easily changed, especially with the day to day violence which is constantly in the background. Change will take time, but a consistency and quality of external help is not always available.

ISTA on-site personnel, former management that have been kept on, and the emerging campesino leadership tend to view the campesino's plight in a different light. Concerned with their own job security and upward mobility, uppermost in their minds is having the farm function primarily as a profitable business.¹ Generating sufficient cash flow, lowering costs, keeping excessive campesino demands in check visibly clash with the former colono's own view of the world, concerned more with immediate benefits than long-term planning. Each social group is behaving rationally, based on their own perceived goals and wants.

How to bridge the gap requires a studied attempt by both groups to view the problem, and aspirations of the other. Unfortunately, sensitivity to these problems is not an inborn trait in enough people to resolve the situation. Sensitivity needs to be learned and nurtured over the years, through extensive education and experience both lacking in large measure among ISTA farm management and social promoters. The technician and social promoter's sensitivity to their own prejudices, needs and desires, realizing that they exist, and

¹ Campesino leaders do not generally initiate these ideas, nor are they in complete agreement with ISTA personnel, however, will tend to accept their advice more readily than the cooperative rank and file.

to the campesinos own problems,^{is} immensely important in transforming an organized group's ability to deal with—to compete back against forces external to the community which oppress and constraint, by organizing both physical and human resources to increase productivity and profits.

The following are a second set of management problems, less critical, more easily resolved and identified with the short-term financial viability of the Phase I cooperatives:

A) A lack of sufficient management tools to judge whether financial viability has been attained.

- The use of real indicators such as accounting systems is of utmost importance. According to ISTA officials, only 20% of intervened cooperatives have hired professional private accounting services. Approximately 50% have bookkeeping services provided by former employees and 30% of Phase I farms have neither.
- A lack of sufficient division of labor within the cooperative leadership. To prevent a concentration of power and excessive authority in the hands of a few, internal training programs must be instituted to provide upward mobility for cooperative rank and file members moving into various management positions. Cooperative development in Latin America has always had a strong tendency to be managed from the top-down, with little broadening of management responsibilities outside of one or two individuals. As with any business corporation, the formation of internal departments and delegation of authority to competent personnel must be a constantly sought after goal, with deliberate actions taken to obtain that goal.

B) Respect for internal lines of authority within the cooperative.

As a result of the breakdown of absolute external enforcement by the land owner and his delegated authority since the interventions, younger employees are showing increasing lack of discipline and respect toward older

cooperative members and the farm's labor hierarchy. Although, social promoters are trying, and not always succeeding, since they lack "absolute authority", to use the threat of external enforcement, these processes must be internalized within the cooperative itself. The problem of how to treat an employee, who is also an owner has always been difficult to resolve and will require tact and resolve by the cooperative's leadership.

C) Generating internal rewards to motivate employee campesino

In a number of cases, in order to increase profitability for the cooperatives, individual bonus and reward systems, administered on the farms before the interventions, have been eliminated. Many campesinos would prefer the short-term individual gain, rather than "saving" through the cooperative. As a result, employee productivity has dropped.

II THE POTENTIAL TO INVOLVE THE PRIVATE SECTOR IN DELIVERY OF NEEDED MANAGEMENT AND TECHNICAL SERVICES TO PROMOTE FINANCIAL VIABILITY

Principal recommendations are divided into two parts, based on an analysis of management related problems of Phase I Cooperatives and a declaration by the Ministry of Agriculture to actively promote the participation of consultant firms in the Reform and Non-Reform agricultural sectors.

PART ONE: THE GOVERNMENT'S LEGAL ACTION TO PROMOTE PRIVATE CONSULTING SERVICES.

A) In discussing recommendations with the government, what are the ideal options open and what is desirable? The Government of El Salvador has essentially two options:

- a.- Promoting internal administrative regulations only.
- b.- Passage of a formal decree followed by regulatory laws.

B) Ideally in promoting consulting firms, a government should rely exclusively on internal administrative regulations, and not a formal decree, which could lead to straightjacketing the private sector with excessive regulations. In either case, government directives should be based on the following desirable goals in promoting private consulting services to campesino farm

organizations:

a.- Long-term goals:

Create empresas autogestionarias (self-sufficient); defining self-sufficient as campesino enterprises possessing the following characteristics:

- Possess entrepreneurial abilities.
- Have the ability to seek out and contract technical/management skills as are needed.
- Internalize those skills that are long-term, especially savings and investment skills.
- Although formed legally as cooperative or associations in terms of management techniques, change traditional cooperative structure to departmentalize, delegate authority, jobs and introduce training-apprentice systems.
- The farmer association should possess the ability, as a group, to articulate needs and wants from cooperative rank and file membership.
- Provide upward mobility within the campesino enterprise.
- Develop both, an individual and group concept of long-term savings.
- Develop the thought processes to determining wants and plan actions to obtain what they themselves have initiated; not only reacting to their external environment.
- Create and manage new capital investments.
- Adapt new technologies.
- Manage farm credit effectively.
- Induce within their community, development projects, family services, values, education, cooperative spirit.

Other long-term goals are:

- Stimulate the private sector to provide farmers' associations and cooperatives all necessary technical, management and social inputs at a profitable self-sufficient rate.
- Stimulate private consultant and farmers' development with as little regulation and therefore cost as possible.

- Promote the transfer of public employees in agricultural management and technical sciences to the private sector thereby lowering public sector payroll costs.
- Increase cost effectiveness and efficient use of human and physical resources at the consultant, farmer, and government level.
- Promote better use and repayment of credit to private and public sources, by farmer associations and cooperatives.
- Increase significantly the income level and standard of living of beneficiaries in the Agrarian Reform and subsequent agricultural non-reform sectors.

b.- Short-term goals:

- Promote financial viability within Phase I of the reform sector, lowering external and public support costs to cooperative and campesino associations.
- Transfer administrative, accounting and business abilities to cooperative hired management and cooperative leadership.
- Promote as feasible, cooperative rank/file members into the decision making process of the cooperatives.
- Promote private sector participation in providing skills related principally to short-term financial viability.

C) General assumptions which must be evident if a minimum of government regulation are to be enacted, promoting private consulting services to the agricultural sectors:

- The Government of El Salvador will not revoke internal administrative directives, once issued.
- The Government of El Salvador views the private sector in a favorable light.
- The private sector views the government in a favorable light.
- Major abuses will not occur without some type of government controls.
- The promoting body politic (in this case the government) believes abuses will not occur.

D) Ideally, if these assumptions are true, GOES directives should be limited to:

- Prohibiting public functionaries from working in both the public and private sectors at the same time.
- Retire ISTA and MAG aid to cooperatives under Phase I beginning first with those groups able to pay full costs, partially subsidized cooperatives that will require many years of technical and administrative help through the public sector.
- Work with non-regulated private associations to establish rules for private consultants to abide by.

Determine the quickest and least administratively burdensome mechanism (cash, bonds, other) for subsidized cooperatives to pay for consulting services.

Determine a method of promoting and advising cooperatives on the proper use of model contracts and possible a scale of fair fees which they should pay. They would not however, be obligated by the government to hire consultants at these fees.

E) If the GOES decides to issue a decree along lines of the model drafted by OSPA AND MAG, the above assumptions are not valid. Work should then be directed on how best to modify the decree working with the GOES through design of the subsequent regulations, aiming to induce and promote free market forces as much as possible, while attempting to achieve the listed desirable goals. There is, of course, a premise that the GOES will want minimal controls over private consulting firms or individuals, opting to take a position of "wait and see", before applying more stringent controls, if they become necessary. The decree states textually: (English translation)

"Decree No.: _____

The Revolutionary Junta of the Government

CONSIDERING:

I. That it is the function of the state to satisfy the social and economic needs which the country demands.

II. That as a result of the structural reforms which have occurred in the country, the Agricultural Sector has increased the demand for professional services in order to achieve greater levels of productivity.

III. That in order to cover the increased demand mentioned in the aforementioned paragraph, the State must aid in establishing specialized firms as well as regulate the offering of these services.

THEREFORE:

By the legal faculties and initiative of the Ministry of Agricultural and Livestock, THE FOLLOWING IS DECREED:

LAW FOR THE OFFERING OF PROFESSIONAL SERVICES TO THE AGRICULTURAL SECTOR

Article 1: The present law has as its objectives:

- a) Guarantee the quality, dynamism, efficiency and opportunities of professional services provided in the execution of agricultural development, and to the Agricultural Sector by natural or legal persons of their respective areas.
- b) Establish and regulate the rights and obligations of those giving said services and of the clients of said services.
- c) Promote the creation of consulting companies for the giving of multiple professional services in the Agricultural Sector.
- d) Facilitate the setting, revision and opportune adjustment of service fees charged according to the magnitude, quality and efficiency (of services provided).
- e) Advocate that the practice of the various professions required in the development of agriculture, comply with the principles of social duty (function).
- f) Protect the patrimonial interests of individual and organized agricultural producers.
- g) Guarantee the financial and technical abilities and moral solvency of the consulting firms as well as their individual members.
- h) Assist in the conversion of the diverse professional associations into professional "colegios" (legal associations usually requiring obligatory membership).

Article 2: The present decree will apply to all those natural or legal persons who provide consulting and technical assistance in their respective fields to the agricultural sector.

Article 3: The Ministry of Agriculture and Livestock will keep a registry of all consulting and technical assistance firms that provide services to the agricultural sector, as will be implemented through the respective regulations.

Article 4: The State will endeavor to establish sources of financing for the creation and consolidation of consulting and technical assistance firms.

Article 5: The fees for services provided by consulting and technical assistance firms will be determined in accordance with tariffs which the various professional associations or "colegios" establish, subject to prior approval by the Ministry of Agriculture and Livestock, who will insure their strict compliance.

Article 6: The respective professional associations and "colegios" will determine the requisites of professional abilities and technical (expertise) that professional consulting and technical assistance firms must offer, without abridging the formalities demanded by the Ministry of Agriculture and Livestock.

Article 7: The functionaries and employees at the service of the centralized and decentralized offices of the State, cannot be employees of consulting and technical assistance firms nor offer their services individually, charging for their services of for free to organized and unorganized agricultural producers.

Article 8: The Ministry of Agriculture and Livestock, will only provide technical agricultural assistance at no cost to those producers who will be determined in the regulations mentioned in Article 3 of this decree.

Article 9: Dependencies of the Public Agricultural Sector can enter into contractual arrangements with consulting and technical assistance firms in accordance with the needs (of the public sector).

Article 10: In the regulations referred to previously, the rights and obligations of those who offer and receive services will be regulated.

Article 11: The present decree will enter into effect 8 days after its publication in the official newspaper. Given in the Presidential House, San Salvador.

days of the month of April, 1981."

F) To determine whether the basic assumptions mentioned are in fact valid, interviews were held with the following government officials.

- a.- The Minister and Vice-Minister of Agriculture (MAG)
- b.- The Vice-President and other Officials of the Institute of Agrarian Reform (ISTA)
- c.- The Vice-Director and other Officials of the Agricultural Sector Planning Office (OSPA).
- d.- Several GOES documents including a major Agrarian Reform Policy Statement of Dr. José Antonio Morales Ehrlich, member of the Junta Revolucionaria and President of ISTA.

Reviewing GOES documents and interviews, the following is an exposition of attitudes of government officials, their major concerns, viewpoints, initiated programs if any, and GOES requirements to promote private consulting firm efforts in the Reform and Non-Reform Agricultural Sectors:

- Agrarian policy in the future will be formulated centrally but implemented locally, with decentralization intended to reduce costs, bureaucratic inefficiencies, and corruption. As an example of the government's reduced role, in the future, the GOES will provide free technical assistance only to those who are too poor to pay for it. Other individuals and cooperatives including beneficiaries of the Agrarian Reform would be expected to pay a fee for this service.

- The GOES and specifically MAG want to promote the formation of private consulting firms to work with the agricultural sector, but are concerned abuses will occur if some form of regulations are not implemented.

- Some of the questions which will require greater study are the obligatory setting of fees as opposed to allowing the laws of supply and demand operate in a free market, and whether the state should perform a police and "watchdog" role. There is however, a general consensus that irrespective of whether fees are regulated, the private sector should police their own members, not the government.

- A formal decree will be proclaimed as a means of insuring the private sector, that the GOES is taking a major policy decision, not one which could easily be rescinded in the future.

- To assist the private sector in policing their own ethics and professional behavior, quality of service and abuses, there is strong interest in promoting the formation of private, but obligatory colegios and requirement membership by professionals who work with the agricultural sector.

- Although private individual services can be offered, the government is leaning strongly to the promotion of integrated services.

- Personnel costs for MAC are disproportionately high; 86% of the annual budget this year is for salaries alone. Large numbers of public employees in the agricultural/sector must be transferred into private consulting work and they need the incentives to do so. As a result:

- Public employees will be prohibited from working privately in the agricultural field while publically employed.
- MAG will retire significant free agricultural service over the months, and provide subsidy payments to those producers of the Reform and Non-Reform sectors who are unable to pay the full cost.

In view of the government's interest and directives, the following actions were taken almost immediately:

- Request to OSPA to draft a model decree for revision by MAG personnel, final review the week of April 20th. and submission by the end of that week to the Consejo Agropecuario (Agricultural Advisory Council) of the GOES.
- The principal provisions of the draft have already been listed.

It is interesting to note that the Agricultural Engineer's Association was the only professional association who participated in draft design. Although the Association of Business Administrators and Agronomists were invited to participate, representatives were not named in time to voice their views.

- The only out of country visits which were referred to by GOES officials were trips to Chile and Costa Rica to discuss government promotion of private consulting services and colegios.

Problems and questions still unresolved during writing of the decree draft are:

- The setting of tariffs vs not setting tariffs to prevent abuses. Various alternatives were considered: Setting maximum limits that could be charged and minimum payments to consultants or a maximum to minimum range within which both parties would be free to negotiate.
- Various systems to evaluate and control the quality and professional ethics of private consultants. Could a minimum of government interference be achieved, but at the same time maintaining quality control?

- A need to help cooperatives in Phase I of the Reform Sector and later, other groups pay for services and in so doing create a market for private consulting services.
- What help is needed to stimulate interest by private consultant firms and individuals to either stay in the market or take a risk in launching a new enterprise? Some possible incentives were mentioned: Lines of low cost credit, directed to consulting firms, guaranteeing stable markets and a non-competitive public sector.
- Ability or inability of multidisciplinary firms to offer long-term service contracts of resident farm managers. What incentives can be used to attract farm managers for long periods of time and what is their degree of competence in IRD skills vs traditional management abilities?
- The use of colegios (formal legal private professional institutions requiring membership by law) vs associations (obligatory membership not required) for quality control and self-policing.
- Registration of private consultants dealing with the agricultural sector through the central offices of MAG or field offices vs non-registration.
- The question of professional degrees and standardizing the curriculum of private and state universities. There are, for example, no requirements for practicing the profession of Agricultural Engineering; anyone who wishes to practice and charge for consulting services can do so.
- Are quality standards needed to protect the consumer? Who would set and police these standards if established by law?
- In general, helping private consulting firms and individuals to understand the problems of working with campesinos and organized cooperatives. Providing initial marketing services for these consultants, including advertising services and an organized public relations campaign, are also probably needed to overcome stereotypes which both private consultants and campesinos have of each other.

Through extensive interviews of principle private consultants and consulting companies still working in El Salvador, the following opinions were expressed, regarding the GOES promoted draft decree and possible regulations. The principal question during the interviews and after explaining the GOES intentions was: " What will induce firms or individuals to go into the consulting business; what are your conditions and concerns? "

- A government decree is far more advisable as opposed to administrative regulations. A decree has more peso de ley and counteracts the fear that internal regulations can be more easily changed at the discretion of Ministers, present or future.

- There is a strong need to protect existing consulting firms and approval of a decree will stimulate them to stay open. In effect they can begin to work without waiting for published regulations, which may take months to design. These firms perform an important catalytic function, drawing out other investors into the field, creating and testing the market, giving confidence to people who have never worked as consultants before.

The question of stimulating existing firms should not be taken lightly. Many public professionals will not take the risk of "going private" due to high start-up costs: US \$ 16000 to \$24000 dollars/month the first year for multidisciplinary teams and US \$ 8,000/ the first month and US \$ 1,500 each month thereafter for individuals.

Lack of previous experience and job-security are also high on the list of public employees.

- Formal colegios were viewed as the best option to promote lobbying actions by private groups, (as a legitimate protective device), establish the rules of the game, uphold membership ethics, establish fair costs for both consultant and client through group pressure and professional review. Why would a colegio go to all this expense and trouble to keep the government from intervening? The government could set rules and allowable fees to be charged if abuses became apparent; cooperative and other clients could complain to the government registering formal complaints.
- The possible use of mal-practice insurance through professional colegios, private insurance companies, or group coverage, if the government still felt regulations were too lax.
- Consultant rates should always be according to free market supply and demand; regulating fees would only increase government red-tape, lead to unrealistic profit margins, difficulty in policing, and adjusting rates to increased costs and the complexity of services provided. No private groups, including colegios should set rates and fees.
- Government must prohibit public employees offering any type of private consulting at a charge or free to the agricultural sector, while on a public payroll.
- The government must not permit competitive free services by any public sector institutions in the agricultural sector where the private sector can compete profitably.
- The government should aid public sector employees seeking work as private consultants. Query: Will public sector employees take the risk without government guarantees, going into private practice? Some of the consultants interviewed believe cash incentives are needed-- others, that a free market allowed to operate will induce public employees out into private practice, especially if existing firms are still operating when the decree goes into effect.

C) What is the potential for private consulting service participation

1.- To answer this question, another must be asked: What are the potential costs, and profits for full service and individual consulting in the agricultural sector?

- Looking at full multidisciplinary service, the following budget was recommended by a leading private consulting firm operating exclusively with cooperatives and campesinos. Although partially subsidized, fees are charged for technical management, accounting and administrative services.

The ideal multidisciplinary consulting firm, principally operating with the reform sector as is shown below, would include as basic costs without calculating corporate profits:

	<u>Salary Range</u> US/CY.	<u>Average</u>
Agricultural Engineer-Central Cordinator of the Firm/Business Background	1600-2000	1800
Agricultural Engineer-General Experience	1000-1500	1250
Agricultural Engineer Basic Grains	1000-1500	1250
Agricultural Engineer-Animal Science Large Species	1000-1500	1250
Agricultural Engineer-Horticulture and Fruit Crops	1000-1500	1250
Business Administrator-Background in Economic Analysis	1000-1500	1250
1 Accountant (Minimum)	1000-1500	1250
3 Technicians (Recent Graduates in Agricultural Sciences) 600-800 each	1800-2400	2100
Administrative/Secretarial Staff 2.5 Secretaries Salary: 350-450 each	875-1125	1000
Total Salaries Average/per month:		13650

The total amount of salaries listed represents 65-75% of total costs. The remaining 35%-25% covers overhead costs including amortization of vehicles, transportation and lodging outside of San Salvador at the following rates: 33 cents/Colon + 20% per km. (adjustment of

recent gasoline increases) plus 28-35 cents/Colon for food and 25-35 cents/Colon for lodging. A reasonable degree of decentralized travel (i.e. not returning to San Salvador each night) is included in the calculation.

- Taking the above salary figure of US/CYS \$ 13,650 (using an average 30%) overhead costs are US/CYS 5,850/per month. Total costs, salaries plus overhead, in forming a consulting firm during the first year are US/CY \$ 19,500 per month or US/CY \$ 234,000 per year.

The above calculations assume that:

- With one accountant at start-up, a maximum of five cooperatives can be given consulting services on a reasonable sustained basis. Once the firm was fully operational, the addition of two accountants to staff could increase consultant capacity to 15 cooperatives, increasing total costs to US/CY \$ 23,071/per month or US/ CY \$ 276,852 for the first year.
- The salary base for professional staff is listed at a minimum of US/CY \$ 1,000 for "good" professionals and US/CY \$ 1,500 as "excellent" in El Salvador.
- Some reliance on the public sector exists. For example, the Ministry of Agriculture continuing its investigative and soil study work, with this information made available to private consultant firms as to all individuals in the agricultural field.
- Another consulting firm which has had almost exclusive contracts with the traditional non-reform sector and intends to offer services to cooperatives, estimates that it would cost a new full service firm a minimum of US/CR \$ 16,000/per month, during the first year, hiring five-full time professionals including an accountant, at an average cost of US/CY \$ 1,250/ each per month, five-full time technicians at an average cost of US/ CY \$ 700/each per month, two-full time secretaries at US/CY \$ 350 per month (total salary base US/ CY \$ 10, 450/per month) and an estimated overhead of 35%. Service would be provided to a maximum of eight cooperatives with a total land area of 6,400 manzanas. Compared with costs per cooperative of US/CY \$ 1, 538 for the first firm, the second consulting firm base costs are 23% higher at US/CY \$ 2,000/per cooperative during each month.
- Start-up costs for individual consultants, entering the field were calculated by those interviewed at US/CY \$ 8,000 for the first month and a minimum of US /CY \$ 1200-1500/per month thereafter in guaranteed income.
- Various consultants when questioned about what is actually charged in the market today mentioned the following figures:
 - Monthly salaries for individual consultants before the Reform averaged for an Agricultural Engineer at 2500-3500 Colones (US CY \$ 1000-1400) per month, plus a percentage of profit in

in cattle/beef raising and 3500-5000 Colones (US/CY \$ 1400-2000) per month in cotton production compared to an average of 2000 Colones (US/CY \$ 800 in the public sector.)

- Charges for feasibility studies are from 1/2 to 1% of solicited financing.
- In coffee production, private consultants charge when coffee is profitable, from 5-6 Colones per manzana (US/CY \$ 2.40), with the consultant assuming the risk if recommendations do not produce the desired results.
- A one day visit, for example to determine whether sugar cane should be planted or not costs 200 Colones (US/CY \$ 80) including a brief written report (travel expenses included).

What has been the reaction of cooperatives to contracting services in the past? Will they contract limited individual, full service and long-term farm management in the future?

Looking at past experience, one firm was technical adviser to 16 cattle ranches subsequently expropriated under Phase I provisions of the Agrarian Reform. When ISTA technicians arrived at the intervened farms, the consultant firm was advised that contracts would be terminated in one month. The consultant firm, because of the political violence did not make any attempt to renew contract agreements with a few of the new cooperatives. On several farms, however, an attempt was made and subsequently rebuffed by local ISTA staff and the cooperatives. ISTA personnel at these farms said technical assistance was no longer needed and on others, the cooperatives were not willing to pay the same fees as contracted with prior owners.

Another consulting firm providing extensive services to over 25 cooperatives, many from the Reform Sector has had the following experiences.

- Charged with performing diagnostic studies by several cooperatives and recommending technical and financial procedures to follow, ISTA on-site staffs strongly resisted the recommendations. This particular firm is now trying to involve ISTA personnel from the very beginning of the studies to eliminate any future frictions. ISTA personnel, however, if they remain on the farms, will have to change their attitudes toward working with contracted consultants and not oppose their recommendations solely on the grounds that their own management or technical work is criticized.

All of the cooperatives working with this particular firm came to the company asking the consultant team to do a specific study, and in many cases, were contracted to provide total administra-

tive and technical assistance.

Still the question of whether cooperatives will be willing to pay private consultants a fair price for their services is a valid one. There is still a strong tendency for cooperatives not to see the Agrarian Reform as irreversible; looking for shorter term gains in higher personnel incomes and lower costs, cutting corners in some instances to do so, than planning for the long term.

One further example at a recently visited cooperative as to whether private consultants will in fact be hired:

- With over 1,000 manzanas of coffee planted an excellent physical plant, and above standard houses for the employees, but with no other apparent sources of income the Cooperative Board of Directors with the ISTA technician, have asked the Ministry of Agriculture to do a feasibility study for a poultry farm. MAG is doing the study at no cost to the cooperative. When asked if the cooperative would pay for similar studies, the cooperative leaders replied: "But the government is doing it for free". When further pressed, if they would hire a manager for the farm, if the government did not provide one, their reply was: "Yes, but the government will do it for us".

It is very apparent that campesinos in this instance view the government as the new patrón. Until the government takes the decision to stop free technical and management services, private consultant will not be hired.

The success or failure of consulting firms entering new markets as the government pulls back its services, even with subsidies will require a coordinated effort by the government and private sector in mounting an extensive publicity and advertising campaign. Given the nature of the new market and clients, campesinos' suspicions, and previous encounters with private business, for many synonymous with the former owners of the farm, will require a well-organized public relations campaign, adequately financed and manned. If ISTA decides to leave social promoters on the farms, any latent frictions or prejudices they may have toward the private sector will have to be eliminated. They must come to see their roles as complementary to that of private consultants, not antagonistic.

G) How the Government of El Salvador would like USAID to participate in promoting private sector participation in the reform and eventually non-reform agricultural sectors:

GOES like a working relationship established with OSPA and USAID consultants to design the implementing regulations. Specifically to:

- a.- Review and establish mechanism to channel needed funds to cooperatives for purchase of subsidized consultant services, looking for example at the Fondo de Preinversión FOSEP, under the Ministry of Planning.
- b.- Help fund initiatives aimed at forming private consultant firms, principally interdisciplinary, based upon an integrated rural development approach and promote their services. Determine if lines of credit could be one method to achieve the above and if so, through which public or private channels.
- c.- Advice in the formation of professional colegios or other privately administered institutions to assure standards of quality, ethical behavior, and fair charging policies.
- d.- Determine whether a fixed fee structure or a free market approach is best.
- e.- Design various model contracts for use by private consultant firms.
- f.- Determine different designs to decentralize the Ministry of Agriculture's technical and management assistance to the totally subsidized agricultural sectors, attempting to build in incentive programs for public employees who will remain in the Ministry.

PART TWO: HOW TO PROMOTE LONG TERM FINANCIAL VIABILITY OF PHASE I FARMS ONCE THE GOES HAS DECIDED ON PROCEDURES AND REGULATIONS GOVERNING PRIVATE CONSULTING FIRMS AND INDIVIDUALS WORKING WITH THE AGRICULTURAL SECTOR/ INCLUDING FALL-BACK SHORT TERM SOLUTIONS.

A) A description of reform sector Phase I Farm target groups: Phase I farms under the reform sector can be divided into three levels of cooperatives depending upon their development and financial resources.

Type One: Financially viable cooperatives, although not totally self-sufficient (auto-gestionaria). They still lack bottom-top mobility in practically all cases with management and the elected

cooperative leadership forming a class against the cooperative rank and file, perpetuating in effect, a variation of the patrón system. Their financial viability is due almost exclusively to the momentum of the ongoing farm base itself, possessing strong natural and developed resources, capital infrastructure and adequate labor. Without proper management, however, slow degeneration will inevitably begin.

Type Two: Cooperatives that are not financially viable, requiring subsidized aid for the purchase of technical and management assistance. In most cases, while the land base is moderately developed and natural resources are strong, capital structures on type two cooperatives were partially stripped by their previous owners.

Type Three: Cooperatives that will require long-term aid where land and labor resources are scarce and possibly of poor quality. Most of these farms were not profitably run even before the Agrarian Reform.

- B) Recommending alternative solutions on how best to promote private sector technical and management assistance to Phase I cooperatives requires that fundamental decisions based on the observations and questions mentioned below be made by USAID and the GOES. A major decision is whether an Integrated Rural Development (IRD) or traditional management and technical service approach is to be pursued in contracting private consulting firms. An IRD approach not only works toward short term financial viability, it creates the basis for true "self sufficiency". Conventional services may or may not have the same effect.

Traditional management and technical assistance initially is less costly, but may only achieve short lived financial success. A risk of financial failure is greater once technical and management assistance are pulled out, but the resources and time to promote an IRD approach properly just may not be available. How best to synthesize the two methods then becomes a highly skillful art.

- 1.- Ideally in an "ideal" world, most authorities would agree that private consultant firms should adopt an integrated rural development approach if we are aiming for financially successful and self-sufficient farms. This requires on the part of the consultant, an internalized management capability and sensitivity to social development and a "managed" not paternalized response to campesino needs and aspirations. This is especially true if beneficiary broadening is to be incorporated into the long term planning of

Phase I farms. Not only must farm managers or consultants determine the resources available and absorption capacity of the farm, he or they must help determine the best possible mix of the various diverse groups, preventing conflicts and the rapid assimilation of the new beneficiaries.

- 2.- Data from Phase I farms should be compiled through surveys and review to test the thesis of whether a long term need for integrated rural development exists. The survey question~~ed~~ should analyze in part whether a class structure is rising on Phase I farms, what will be the long term effects of providing only traditonal consultant services and whether a class structure is, in fact, desireable. Specifically the survey should inventory, case by case, the reform sector cooperative and leaderships' abilities to act with entrepreneurial skills, whether they view future investment possibilities realistically; wh^other they use a portion of cooperative profits for social betterment of the group and generate their own personal or group capacity; whether they manage farm credit effectively and adopt new technology; and lastly whether they possess the ability as leaders to articulate their own needs and wants and those of the cooperative rank and file, providing upward mobility within the enterprise.
- 3.- Accepting the above hypothesis, that integrated rural development (IRD) is desireable, how do we get private consulting firms interested in providing total IRD services, including those which cannot in a free market enviorn~~ment~~ really be charged to the cooperatives, i.e. social development costs?
4. The alternative is to subsidize cooperative purchase of technical and administrative help but only as such services are traditionally defined. Intertwined in the contracting of consultants (usually only part time) is the question and need of hiring full-time farm managers; either independently or through full service consulting firms. Cooperatives may, however, at their discretion opt for hiring only technical and accounting assistance. How can high quality management continuity be provided under these circumstances?
- 5.- How great a need really exists among Phase I cooperatives for an IRD approach in moving from total dependency through financial success to true self-sufficiency is another question to be faced.

A priori, this consultant believes an integrated rural development approach is needed. This is not a paternalistic view, but a realism based on extensive experience in Central America with campesino groups of similar backgrounds.

- 6.- Another hard decision which must be faced are what costs and time realities face international lenders and donors, principally USAID? If cost restraints must be used, there will more than likely be a corresponding lessening of impact in fomenting campesino involvement from the bottom-up.
- 7.- Policy decisions which have not been resolved as of this writing and must be answered before final solutions can be implemented are: will the government pull out social promoters? What are the political risks involved by doing so? Will they remain if replacement services are not offered by the private sector? Under what circumstances will the private sector offer social promoter or equivalent services? Will cooperatives pay for a social promoter if as a direct hire? What if contained in a package or integrated service? Will GOES put up any counterpart funds to subsidize private consultants or as incentives to public employees wanting to enter the consulting field? What of MAG payroll savings as employees shift from the public to the private sector; will any of these funds be available for subsidy payments?
- 8.- This leads to a broader question of how much combined funds would be available by GOES and USAID if any, for (1) subsidized costs to cooperatives, (2) private consulting firms, individuals and (3) private and public sector representative groups for training in IRD techniques or alternately traditional consultant services. One must seriously consider too, that irrespective of what is desirable, funds may only exist for a non-integrated approach.

Another source of funds, however, may also exist and must be fully explored: Is there any possibility of private sector counterpart or total investment funds to promote an integrated rural development model, thereby achieving an integrated design but at a lesser cost? An intriguing question and one that has been successfully answered in other countries.

- C) Alternative long and short term IRD methodologies as applied to Phase I farms. The potential of the private sector in delivering needed management related services drawing upon experience from Mexico and other countries.
- 1.- The selection and degree in applying IRD methodologies will depend on how the previous questions and concerns are answered by USAID and GOES. The overriding concern in all the recommendations that will be made is whether IRD services leading to true self-sufficiency (and therefore in a short and long term, more costly, if totally paid by the public sector) should be the goal or rather aiming only for financial viability in the narrowest sense, without particular concern for the disadvantages mentioned earlier.
 - 2.- Both viewpoints, however, really go hand in hand. Since IRD is a long term goal, financial success is always important in lowering total development costs. The query and creative response lies in how to achieve short and long term financial viability while insuring long term goals will be carried out. This is an especially difficult task since IRD methodologies historically have gone against the vested interests of private management and technical consultants operating in a free market economy.
 - 3.- The FORUSA (Fomentadora Rural S.A.) as one creative IRD approach to financial enterprise success:
 - There are four universally applicable principals which must be incorporated in the design of every program of integrated rural development:
 - First: Wherever poverty and low levels of productivity persist or are in danger of decline (as with Phase I cooperatives), the existing physical and human resources (the existing capital base) are underutilized ; optimizing the use of this capital is fundamental to integrated rural development.
 - Second: Even when land use is improved and optimized, the size of the farm under control of campesinos is rarely large enough to generate an adequate income to support properly the entire family or in the specific instance of Phase I cooperatives, additional beneficiaries ¹ to be placed on the farms and their entire families, present and future. Thus the creation of new production capital...investment capital...which becomes locally owned is also a vital part of the process which has been termed, "popular capitalism".
 - Third: Human progress toward a better way of life does not take place automatically and simultaneously with economic gain...indeed, too rapid economic change can be destructive to family and community life; helping

people to adjust to change must be a formal part of any integrated rural development program.

Fourth: Introducing change, accelerating the process and helping people adjust their values and understanding so that old traditions blend in harmony with new life styles, is a long term and costly procedure; to sustain the cost and to free the development process from the vagaries of political decisions and philanthropy, integrated rural development must be managed in a business like way, so that all inputs are considered as an investment of profit--economic self-sufficiency to the maximum extent possible, must be the goal of every integrated rural development program.

Building upon these four principals, a specific methodology for integrated rural development, while not applicable everywhere, has emerged and is presented in this paper as part of a strategy to involve the private sector in the Agrarian Reform.

- 1.- "Popular Capitalism" operates in the field through a local rural development corporation, identified in Mexico as Fomentadora Rural S.A., de C.V. (FORUSA). FORUSA is a stock company. In the early years of operation, equity is always purchased by investors from outside of the project site. The rural poor simply have no capital to risk (even in Phase I of the Agrarian Reform in El Salvador, risk capital is highly scarce) until generated by the project and until they understand the role of savings and investment for long-term gain. The staff of FORUSA need not live among the people served, but do work full time and every day in the fields and in the communities involved.
- 2.- Consistent with the basic principles of integrated rural development and the diffusion of the ownership of capital, FORUSA carries on three kinds of development activities simultaneously:

First, to optimize the use of existing capital, superior production practices are introduced, covering technology transfer, credit, marketing, fiscal control and diversification. The farmers are organized into legally constituted bodies so that services, action and training can be coordinated and officially recognized. To insure an effective relationship between the FORUSA staff

¹In 1981 according to published statements by Dr. José Antonio Morales Ehrlich, member of the Junta Revolucionaria of the government of El Salvador, ISTA will establish the carrying capacity of each cooperative increasing the number of cooperative members from 37,000 to 60,000, on Phase I farms.

and the local people, mutual responsibility is defined by contract. The farmers pay for services rendered; thus FORUSA starts down the road to self-sufficiency.

Second, FORUSA catalyzes the creation of new capital. Feasibility studies are constantly in process, seeking to establish rural industry and business, sometimes based in agriculture, often not. Until the farmers accumulate savings and are ready to invest at their own risk, FORUSA stockholders take 100% of the risk of starting new ventures; at the outset, FORUSA also takes 100% of the income. As profit is generated, a portion is allocated to the purchase of stock from the original investors. When all the equity is so purchased, ownership is vested in the farmer organization and management control passes from FORUSA. In the case where more training is needed before the local people can manage their new property adequately, provision can be made for FORUSA to manage under contract.

Third, FORUSA works with its farmer associates to assist them, as economic growth is stimulated, to utilize their new freedom to enhance the quality of family and community life. Physical improvements are encouraged, such as the introduction of potable water, improvement of school buildings, building a park or plaza, improving the home. Emphasis in discussion is placed on values, old and new, in a constant search for ways for changes to take place with grace and dignity.

- 3) FORUSA is a complex but demonstrably workable management system which starts and then maintains a long-term effort toward a more rewarding rural life.

Briefly, the history of FORUSA began in 1965, when the conceptual model of integrated rural development was reduced to operational terms and put to test in Mexico.

In 1969, the innovative nature of the model project..the progress made... and, the implications of the methodology for collaboration between the public and private sectors of Mexico caught the attention of Ingenieros Civiles Asociados S.A. (the Grupo ICA), a major wholly Mexican-owned, profit making corporation. ICA then accepted full responsibility for the continuation of the work and organized a nationally oriented, non-profit, rural development subsidiary, Coordinación Rural A.C. (CRAC), which has continued and expanded the program ever since. To date, \$6 million dollars has been invested in several FORUSA model corporations, managing 7,000 hectares of farmland and working with over 500 campesino families since its inception 12 years ago. ICA's intention was never to resolve the agrarian problems of Mexico, rather to establish successful models for others to duplicate throughout the Third World, wherever feasible.

Each FORUSA is closely related to Coordinación Rural, A.C. the latter providing consulting services on technical problems, staff training and, as well, help in dealing with the myriad of legal, financial and governmental institutions

which become involved with rural development in the Mexican ambience. The GRupo ICA, in turn, participates in the equity structure of each FORUSA and may help in the attraction of investment capital from other sources, in Mexico totally private.

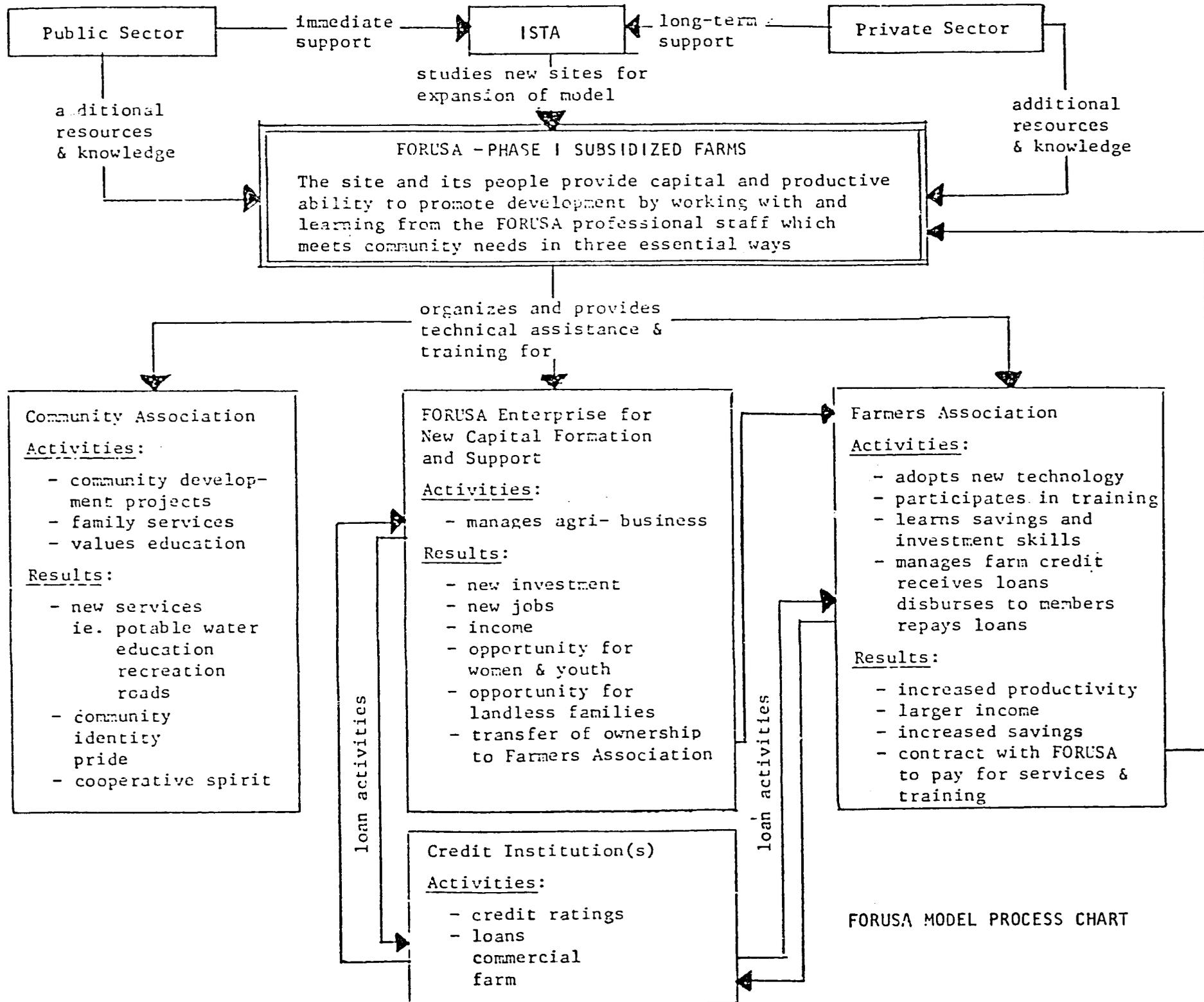
The methodology is still being evolved. Since trained managers of the integrated rural development enterprises being created are in short supply; the first full-scale training program was completed by CRAC in Mexico, in, 1978, and the Grupo ICA is supporting the establishment of an international training center, to be ready by late 1981.

Duplicating the program in Central America, the Agrarian Reform Institute of Guatemala (INTA) and Costa Rica (ITCO) have sent officials to Mexico along with other government personnel to study the projects with an interest in duplicating the methodology in the public sector. A large corporate farm in Guatemala, La PERLA S.A. is also planning its use in a combined program to allow the campesino employees 40% ownership of the corporation and use of over 600 manzanas of the farm's 3,500 hectares of land, providing integrated rural development services to a campesino owned enterprise.

- 4.- The TECHNOSERVE rural development model of enterprise development has a central purpose of aiding campesino farmers in developing their resources and through a process of capitalization, raising themselves out of poverty. This process occurs by providing technical, administrative and management assistance to campesino enterprises and charging a subsidized fee. TECHNOSERVE is presently assisting over 25 cooperatives in El Salvador, many in the reform sector; in some instances, doing total diagnosis of the farms. Incorporating the TECHNOSERVE methodology into profit making concerns would be highly beneficial.

III POTENTIAL OF PRIVATE SECTOR SERVICES OFFERED TO TYPE III COOPERATIVE FARMS (Requiring total government subsidy, lacking necessary physical and human resources for short term financial viability).

- A) One IRD solution to Type III cooperatives is the application of total subsidies by GOES through publically owned FORUSA corporations as an alternative to direct subsidized public programs. Beginning with a specific FORUSA model rather than continued public subsidies and maintenance of direct-hire ISTA personnel at the farm site, the government would decentralize technical and administrative assistance to the greatest extent possible. As this occurred, totally subsidized farms would be "pushed" toward self-sufficiency, and in the interim, lower public mainten-



FORUSA MODEL PROCESS CHART

ence costs by charging campesino farmers progressively higher fees as productivity increased. Total self-sufficiency would be hard to achieve, although any cost reduction would be a plus for the government.

FORUSA application is limited to areas where some potential and under-utilized land, capital and human resources exist---what percentage of Type III farms this represents is not known and will need to be tabulated. Those farms that are extremely resource poor may require total subsidies with no hope whatsoever of lowering the cost. Their solution is outside the scope of this paper.

Developing the model further, FORUSA staff (public employees transferred from MAG/ISTA) could receive some portion of the fees charged to campesino cooperatives. As a salary increase, above a base pay provided by FORUSA's investors (MAG and ISTA/other government entities) it would become an added incentive to provide better service.

Private consultant firms or individuals would be hired by FORUSA as needed for specific short term work including groups such as TECHNOSERVE, specializing in enterprise creation.

It is recommended that the government of El Salvador, with possible USAID support, choose one or two cooperatives in the same geographic area for a model design. As a first step, GOES officials (ISTA, CENCAP , MAG) should visit the Mexican models.

IV. POTENTIAL OF PRIVATE SECTOR SERVICES OFFERED TO TYPE II AND TYPE I COOPERATIVE FARMS (Requiring partial subsidies to Type II and no subsidies to Type I cooperatives)

A) The FORUSA corporate model and methodology by channeling private investors' funds to Types II and I cooperatives should require a minimum of USAID and GOES financial support, once the program is underway.

Sufficient volume of produce outside of government controlled markets, however , must be available if private investment is to be attracted where equity participation in a FORUSA corporation, becomes in effect,

a recoverable expense. Technical, management and IRD services would be financed by the buyer corporation as insurance, and therefore recoverable as a corporate cost, to assure high quality and stable supplies of needed raw materials or semi-processed products.

Further investigations will be needed to determine potential investors, markets and diversification potential on Type II and I farms. Some initial products and buyers, however, have been identified and are worth pursuing:

- Coconut Oil: The Phase I cooperatives: Agua Fría, Jobal, Madre Sol and San Sebastián located in the department of La Libertad, would make an engaging model.

Agua Fría, an 1,800 manzana cooperative with 1,600 manzanas planted in coffee also has a coconut oil processing plant with a daily capacity of 120 quintales of oil and 80 quintales of flour. There are 500 members in the cooperative. The other three cooperatives have over 3500 manzanas of coconut palm plantations and were formally owned, along with Agua Fría by the Sol-Millet Company. Agua Fría now owns the coconut oil processing plant; however, as the other divisions of the original company were formed into separate cooperatives, only Jobal Island is selling a portion of their oil production to Agua Fría.

A FORUSA corporation established as a model could provide management, technical and IRD services to the several cooperatives involved, hiring private consultants as needed.

Possible investors might include: H.DE SOLA S.A., INVERSIONES AGRO INDUSTRIALES S.A. (socio D'AGRO INDUSTRIALES S.A.), actual purchaser of Agua Fría rprocessed oil, and several cattle producers (cattle feed). Conversations are proceeding with their principals to determine interest.

- Sesame Seed Production: Principal purchasers in El Salvador, H.DE SOLA S.A. MCKORMICK SPICES INC..
- Peanut and Peanut Oil Production
- Meat Production/Waste Products: Potential investors: QUALITY MEATS, QUALITY FOOD INC.
- Other potential projects and investors should be checked through the American and other local chambers of Industry and Commerce in El Salvador.

It is recommended that GOES and USAID seek out possible Type I and II cooperatives with diversification potential, determine the interest of local and multinational purchasing companies as potential investors in FORUSA corporat-

ion (s) either as mixed, totally private, or with some USAID initial funding and whether the identified cooperatives wish to participate.

Again initial visits should be made by GOES officials and potential investors to see the Mexican models. Discussions could also be programmed with Coordinación Rural A.C. (CRAC), the Grupo ICA subsidiary charged with forming an international training center in collaboration with the University of Mexico on ways to possibly work with CENCAP and ISTA.

- V. NON-IRD RECOMMENDATIONS FOR OVERCOMING ORGANIZATIONAL AND MANAGEMENT CONSTRAINTS IN THE CREATION OF VIABLE, AUTONOMOUS COOPERATIVES ON PHASE I HACIENDAS.
- A) The basic parameters which private consulting firms would require in providing traditional non-IRD technical, financial and management services are:
- That technical and management assistance is and will remain profitable.
 - There would be minimum government controls. Any policing action of ethics, quality of service and abuses should remain in the hands of private, formal, or non-formal associations. Whether more stringent government controls were forthcoming, would depend on the ability of the private sector to police itself effectively.
 - The government must stop all free technical and administrative services to the reform and non-reform sectors that are financially able to pay for such services with and without government subsidies and prohibit government employees offering paid or free agricultural consulting services while on a public payroll.
 - Government subsidies should be made available to cooperatives unable to pay for services.
 - Require that formally enacted legislation guarantee the above: internal ministerial regulations are not sufficient. There is concern that if done internally through administrative regulations in ISTA and MAG, such regulations could easily be changed or
- B) The basic parameters which the GOES would require in having private consultant services provided to the agricultural sector are:

- Sufficient incentives are generated to "pull" off MAG public sector employees into private consulting.
 - Ethical and private consulting abuses are minimized, either through private and/or public controls.
 - Highly subsidized cooperatives must move upward in productivity over time, to eventually pay the full cost of controlled services.
 - Cooperative leadership and administrators are not allowed to form a new patron class, leaving out cooperative rank/file.
 - Sufficient management and technical expertise is contracted by Phase I cooperatives and Associations to assure high production, especially in export quality products.
 - To the greatest degree possible, private consultants should offer multi-disciplinary services, principally hard sciences (management, accounting and technical), and, if possible, social development services.
 - Promote Phase I cooperative hiring of full time farm managers.
- C) The basic wants and desires which cooperatives under Phase I would appear to require of private sector consultants, must be divided into a minimum of two distinct social classes:

One class composed of two principal groups, having similar aspirations: the former management personal kept on as direct hire employees and elected cooperative leadership, both wanting:

- Job security.
- Greater personal income.
- Maintenance or increasing prestige in the cooperative and community.
- Varying degrees of social betterment for their co-members in the cooperative.
- Absorption of better management and technical skills to more effectively run the cooperatives as business enterprises.
- Seeking external help, but without endangering their own job security or prestige within the community and cooperative.
- Government or alternative private consultants at little or no cost to increase their own cooperative's profitability.
- In paying for hard science services, negotiating to pay as little as

possible while maintaining high quality standards. Thought this statement is generally true, there is a tendency by cooperatives to forego contracting services and attempt to "do it themselves" or eliminate the service all together.

The second class forming on the cooperative farms is limited to the rank and file members. Their general needs and wants are similar to those of the cooperative leadership in:

- Job security.
- Greater personal income.
- Varying degrees of social betterment for their co-members in the cooperative.

On two significant points however, there is a difference:

- The cooperative leadership at least has a far higher sense of hope-- "of breaking out" ; they have far more contact with the outside world. For the cooperative rank/file member--he percieves himself still as "a colono", with limited rights and a view that very little has changed for him.
- The rank and file have a far greater need for visible and tangible proof that their conditon is changing with more emphasis on social betterment and immediate gain. The campesino leader is hardly in a better positon economically, but he has "power" within the community.

On one point especially they are strikingly similar: Neither is convinced the Agrarian Reform is irreversible.

- D) Given the basic parameters of the principal groups involved, considering their specific wants, needs and concerns, the following are recommended as the best options to promote private management and technical assistance to Phase I cooperatives, combining where possible, IRD and non-IRD approaches to development.

- "Tie-in" negotiated fees with a percentage addition based on increases in farm profits or alternately, a percentage fee on productivity increase on purchased private management and technical assistance. Accounting services should be charged on a straight fee basis; social development services should also be for a straight fee if arrangements can be made.

- Provide technical design assistance for model contracts to the GOES as requested. Such contracts should be obligatory and designed with the views of all concerned parties taken into consideration.
- Promote the formation of professional private colegio to self-police ethics and member abuses. Request membership of professionals into their respective colegio, much as is done in the United States with the American Medical and Legal Bar Associations. Examine closely colegios, in Guatemala, Mexico and other latin nations for the best possible models and experience. This recommendation is made in view that voluntary membership in professional associations would probably not be acceptable to the GOES in lieu of tight fee regulations and GOES controls. Forming private colegios would satisfy the government's concerns, in effect eliminating, in the governments' eyes, price control regulations and other more stringent controls, leaving contract negotiations open to free market supply and demand.
- Establish short and medium term training courses for private sector firms and individuals using CENCAP as the government institutions to orient participants in the status of the Agrarian Reform and government thoughts on what they would like and expect from private consultants. Management training courses could also be devised, possibly requiring private firms to pay a portion of the fees, depending on the course work. CENCAP's present capabilities and training program should be reviewed and the possibility of designing specially tailoring courses.
- Working through the Asociación de Consultores de El Salvador (ACODES) as the principal representative of private sector consulting firms: Once the proper relationship was established, having (ACODES) and ISTA/MAG officials begin a public relations campaign directed to Phase I cooperatives to hire private consultants, explaining what they should expect in quality vs. cost the use of model contracts., etc., Aid should also be provided to private consultants redesigning their service package to fit cooperative needs, determine what fee ranges are appropriate to charge and especially guidelines for ethical behaviour of professionals' working with the Reform Sector.
- The government should maintain social promoters on the public payroll to provide cooperatives with, in general, non-chargeable social development costs, unless a cooperative specifically requests and is willing to pay for private consultant services in this field. This is principally to keep the social promotor away

from the direct hire of the cooperative leadership (i.e. it is precisely the role of the promotor to stimulate rank and file participation in cooperative decisions that makes their role so important). Standards should be set however, for the position of social promotor, removing and upgrading existing personal as necessary. The minimum requirement should be:

- Require a professional degree.
- Course work should reflect a reasonable blend of courses in the social and physical sciences.
- Candidates should satisfy the criteria of a Selection Committee, itself a reflection of broad educational input and a wide range of experience. Final selection will ultimately depend on judgement rather than seeking quantitative measures.
- Ideally, candidates should have two years of work experience, but not necessarily from an administrative or social promotor post.
- Candidates should complete course work in cooperative and business development, the role of private consultants, in the Agrarian Reform, and the application of IRD models, using FORUSA and TECHNOSERVE methodologies (the latter, if they are willing to provide such services). CENCAP should be asked to provide training facilities and courses. Additional work needs to be done in planning the courses, based on final decisions by GOES and USAID as to funding, available IRD models for training, etc.
- Salaries of social promotors must be increased to competitive levels with private management hired by cooperatives (farm managers) to prevent rotation, jealousies, and in general, to keep good people in the field. Their position is critical; promoting the upward mobility of the cooperative rank and file. A certain spirit is, of course expected in those finally chosen by the above process, but not at the expense of significant income sacrifices, as with any product or service...you get exactly what you pay for.
- GOES must eliminate all free technical and administrative services to the target groups chosen from Phase I cooperatives...coordinating the retiring of ISTA personnel with the availability of private consultants in the field.
- Prohibiting public employees from working parttime in any consulting service related to the affected agricultural sector.
- A formal declaration of the GOES's intentions and purposes through a legally binding document. As mentioned earlier, all of the private consultants interviewed felt a formal decree was the best to gain immediate support from the professional community.
- USAID should determine with the GOES what are the proper channels for subsidizing cooperative purchase of management and technical assistance. Funds for purchase of social development services should also be made available, if agreements can be made between cooperatives and consulting firms.
- Designate a portion of subsidized funds to contract full time farm managers (for Types II and III cooperatives from private consulting firms or individuals, and design one year contract models to be

used specifically for this purpose. The problem of Type I cooperatives is a difficult one. Since no subsidy payments are made, the cooperatives are free to contract or not contract full-time managers or outside consulting firms. They are, however, financially viable, if not self-sufficient, enterprises. CENCAP should also consider designing courses for private farm managers of a minimum sixth month period, oriented to IRD curriculums. If FORUSA models are established, they as well as TECHNOSERVE's existing in-country programs with their approval, should be used as training resources.

- Require registration of all private consulting firms and individuals working with the agricultural sector, stipulating their professional backgrounds, previous work experience and references with MAG.

E.- Measures not recommended at the present time and requiring future detailed study:

- Direct subsidies to private consulting firms, individuals or public employees. The free market should be allowed to function first to see whether artificial stimulants are required. One of the indicators to closely watch is the degree to which there is a shift of professional staff employees.
- Require certification on all non-secured agricultural bank loans by private sector consultants. To prevent abuse and maintain quality control, consultants should assume some risk and obligation (as with Certified Public Accountants) in certifying loan documents. It does represent a possible means to insure a market for private consultants and "drawing" employees from the public sector. Will private consultants, however, accept partial liability for certification? The proposal requires careful analysis with representatives of private consulting firms and the banking sector i.e. What are the requirements from private banks regarding agricultural credit since the nationalizations? What are BFA requirements for non-secured loans to the reform and non-reform sectors?

F. In general, final recommendations should be kept flexible, with as little direct government controls as possible, but leaving the necessary mechanisms open for future analysis and needed adjustments by all parties concerned.

List of principal institutions and individuals with whom interviews were held over a three week period from March 25 to April 15, 1981.

Government of El Salvador Institutions and Officials:

Ministry of Agriculture :

- 1) Ing. Agro. Joaquín Guevara Morán, Minister
- 2) Col. Galileo Torres, Vice Minister (Sub-Secretario)
- 3) Ing. Agro. Alfonso Chavez, Office of International Affairs

OSPA (Oficina Sectorial de Planificación Agrícola) Ministry of Agriculture:

- 4) Ing. Agro. Miguel Domingo Sosa, Sub-Director
- 5) Licda. Elizabeth Castillo, Chief of Organization and Budget (Jefa de Organización y Presupuesto)
- 6) Lic. Julio Cesar Urbina Gomez, Chief of Legal Department , Ministry of Agriculture (Jefe de la Sección Jurídica)
- 7) Ing. Agro. Guillermo Arturo Gomez, Programming and Organization (Programación y Organización)

ISTA (Instituto Salvadoreña de Transformación Agraria)

- 1) Ing. Agro. Gonzalo Ernesto Martinez Menendez, Vice-President
- 2) Lic, Francisco Arnulfo Romero, Sub-Gerente de Operaciones Agricolas y Desarrollo Campesino (Vice-Manager of Agricultural and Campesino Development)
- 3) Ing. Agro. Carlos Alfonso Godinas, Jefe Departamento Desarrollo Comunal Campesina (Chief of Campesino Communal Development)
- 4) Ing. Agro. Mario Urrita, Oficina de Planificación (Office of Planning)
- 5) Ing. Agro. José Tomás Mendoza, Departamento Desarrollo Comunal Campesina
- 6) Ing. Agro. Vicente Crespín, Departamento Desarrollo Comunal Campesina
- 7) Lic. Rivera Landaverde, Departamento Desarrollo Comunal Campesina
- 8) Lic. Alfredo Salazar, Jefe de Planificación
- 9) Ing. Agro. Mario Urrita, Planificación
- 10) Lic. Mario Antonio Chinchilla, Dept. de Contabilidad (Office of Accounting)
- 11) Lic. José Daniel Gonzales, Dept. de Finanzas (Dept. of Finance)

Cooperativa El Espino, Deptamento de La Libertad

- 12) Junta Directiva, Promotor Social, Contador de la Cooperativa

Private Consultants & Representatives of the Private Sector

- 13) Lic. Alexander Vasquez, Secretary of the Association of Private Consultants of El Salvador (Asociación de Consultores de El Salvador)
- 14) Lic. Franciso Linares Campos, SEPAD, Consultor Económico (Financial Consulting firm)
- 15) Ing. Agro. Gustavo Denys, CADECIA, Consultor Agrícola (Agricultural Consulting firm)
- 16) Ing. Agro. Lino Osegueda, General Manager, El Salvador, TECHNOSERVE (Multiservice Integrated Rural Development Consulting firm)
- 17) Ing. Agro. Adrian Chacón, Sub Gerente, TECHNOSERVE
- 18) Ing. Agro. Ernesto Sahli, Staff TECHNOSERVE; former private consultant of Consultores Pecuario Economicos S.A. de C.V. (CONSULPEC)
- 19) Sr. Gerald Schmaedick, Vice President, Headquarters, Conn. U.S.A., TECHNOSERVE
- 20) Ing. Agro. Richard Quast, private consultant, HEMCO consultants, Multiservice Agriculture, Headquarters: Guatemala; oeprations Guatemala and El Salvador
- 21) Sr. EduarJo Palomo, General Manager MOORE COMERCIAL S.A. (Agricultural products) and consulting firm; former President of ANEP (Asociación Nacional de la Empresa Privada (National Association of the Private Sector)
- 22) Meeting with the Board of Directors, UDES (Union de Dirigentes Empresariales Salvadoreñas) Union of Salvadorean Business Leaders
- 23) Ing. Tomas Vilanova M. Gerente, Empresa Cafetalera SOL-MILLET Y COMPANIA
- 24) Lic. Alfredo Chedraui S. Director Ejecutivo, ASOCIACION SALVADOREÑA DE INDUSTRIALES (Salvadorean Association of Industrialists)
- 25) President, Asociación de Ingenieros Agronomos de El Salvador (Association of Agricultural Engineers of El Salvador)
- 26) Lic. Jose Zaragoza, Gerente General, COORDINACION RURAL A.C. (CRAC) Subsidiary GRUPO ICA, Mexico D.F. Promoting Group FORUSA methodology in Mexico (Discussions held in Mexico, January 1981)
- 27) Dr. Simon Williams, Center for Agriculture and Rural Development, Fort Collins, Colorado; former General Manager CRAC, Mexico, author of FORUSA methodology (Meetings held in Washington D.C. January, 1981)
- 28) Sr. Francisco de Sola H., Vice President DE SOLA S.A. (Agro -industrial corporations in El Salvador), meetings held in Guatemala, April 1981.

USAID/EL SALVADOR

- 29) Wayne Nilsestuen, Rural Development
- 30) David Alverson, Rural Development
- 31) Arnolito Flores, Rural Development
- 32) Rodolfo Cristales, Rural Development

Principal Meetings and Conferences Attended

- 33) Regional Meeting (Central) for ISTA Social Promoters and Technicians (approximately 70 cooperatives Phase I); day conference, El Espino, La Libertad.

PROYECTO DE DECRETO

DECRETO No. _____

LA JUNTA REVOLUCIONARIA DE GOBIERNO

CONSIDERANDO:

- I - Que es función del Estado procurar satisfacer las necesidades que el desarrollo económico y social del país - demande;

- II - Que ante las reformas estructurales operadas en el país, el Sector Agropecuario ha incrementado la demanda de - servicios profesionales para alcanzar mayores niveles - de producción y productividad;

- III - Que para cubrir la demanda planteada en el inciso anterior, el Estado debe propiciar el establecimiento de em- presas especializadas así como regular la prestación de sus servicios.

POR TANTO:

En uso de sus facultades legales, a iniciativa del Mi-- nistro de Agricultura y Ganadería,

DECRETA LA SIGUIENTE:

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LEY PARA LA PRESTACION DE SERVICIOS PROFESIONALES AL SECTOR -
AGROPECUARIO.

Art.1.- La presente ley tiene por objeto:

a) Garantizar la calidad, dinamismo, eficiencia y oportunidad de los servicios profesionales orientados a la consecución del desarrollo agropecuario, que son prestados al Sector por personas naturales o jurídicas en sus respectivas áreas.

b) Establecer y regular los derechos y obligaciones de quienes prestan dichos servicios y de los receptores de los mismos.

c) Promover la creación de empresas consultoras para el otorgamiento de servicios profesionales múltiples al Sector Agropecuario.

d) Posibilitar la determinación, revisión y actualización oportuna de las retribuciones de los servicios de acuerdo a su magnitud, calidad y eficiencia.

e) Propugnar por que el ejercicio de las diversas profesiones que requiere el desarrollo agropecuario cumplan con el principio de la función social.

f) Proteger el interés patrimonial de los productores agropecuarios individuales u organizados.

g) Garantizar la solidez técnica, financiera y solvencia moral tanto de las empresas consultoras como de sus integrantes.

h) Coadyuvar a la conversión de las diversas - asociaciones gremiales, en colegios de profesionales.

Art.2.- El presente decreto se aplicará a todas las - personas naturales o jurídicas que presten servicios de consultoría y asistencia técnica en sus diferentes áreas, al sector agropecuario.

Art.3.- El Ministerio de Agricultura y Ganadería llevará un registro de todas las empresas consultoras y de asistencia técnica que se dediquen a la prestación de servicios al -- sector agropecuario, el cual será implementado mediante el reglamento respectivo.

Art.4.- El Estado procurará establecer las fuentes de financiamiento para la creación y consolidación de empresas - consultoras y de asistencia técnica.

Art.5.- La retribución de los servicios a prestarse por las empresas consultoras y de asistencia técnica será determinada de conformidad con el arancel que elaborarán las diversas -- asociaciones gremiales o colegios de profesionales, previa aprobación del Ministerio de Agricultura y Ganadería, quien velará por su estricto cumplimiento.

Art.5.- Las respectivas asociaciones gremiales y colegios de profesionales determinarán los requisitos de aptitud -- profesional y técnica que deberán reunir las empresas consultoras y de asistencia técnica, sin perjuicio de las formalidades que el Ministerio de Agricultura y Ganadería exija.

Art.7.- Los funcionarios y empleados al servicio de las entidades centralizadas y descentralizadas del Estado, no podrán pertenecer a las empresas consultoras y de asistencia técnica, ni proporcionar individualmente sus servicios, en forma remunerada o gratuita, a los productores agropecuarios organizados o no.

Art.8.- El Ministerio de Agricultura y Ganadería, únicamente proporcionará asistencia técnica agropecuaria, en forma - gratuita a los productores que serán determinados en el reglamento que se menciona en el artículo tres de este decreto.

Art.9.- Las dependencias del Sector Público Agropecuario podrán contratar los servicios de las empresas consultoras y de asistencia técnica de acuerdo a sus necesidades.

Art.10.- En el reglamento referido, se establecerán y regularán los derechos y obligaciones de quienes presten dichos servicios y de los receptores de los mismos.

Art.11.- El presente decreto entrará en vigencia ocho días después de su publicación en el diario oficial.

Dado en Casa Presidencial, San Salvador a los ___ días del mes de abril de mil novecientos ochenta y uno.

OSPA/Jurídico.



BANCO CENTROAMERICANO
DE INTEGRACION ECONOMICA
OFICINA REGIONAL
Guatemala, Guatemala C. A.

CABLE: BANCADIE
EDIFICIO CAMARA DE
INDUSTRIA (10o. PISO)
RUTA 6, 9-21, ZONA 4
TELS. 65721 - 65722

11 de marzo de 1981

OGUA-337/81

Señor
Enrique Arenas Menes
Administrador Unico
"Finca La Perla y Anexos, S. A."
Ciudad

Estimado señor Arenas:

Me es grato acompañar la presente con Certificación del Secretario del Banco de la Resolución de Directorio No. DI-21/81 del 12 de febrero de 1981 mediante la cual se declara elegible de posible financiamiento la solicitud presentada por la sociedad "Finca La Perla y Anexos, S. A." para obtener un préstamo destinado a la compra de acciones.

La declaratoria de elegibilidad tendrá validez por un período de seis meses, los que vencerán el 11 de septiembre de 1981. Con ésta, el Banco los faculta a que nos presenten una Solicitud Formal de Préstamo que deberá estar acompañada del Estudio de factibilidad técnico-económica del proyecto. Para la elaboración de este Estudio, les rogamos seguir como orientación la "Guía sobre Información Mínima para Proyectos del Sector Privado", la cual adjuntamos.

Para fijar con precisión el alcance y metodología del Estudio que realizarán, debemos llevar a cabo una reunión entre sus representante y el Personal Técnico del BCIE, por lo que les solicitamos comunicarse con nosotros a su mejor conveniencia.

Con base en el Estudio antes mencionado, el Banco procederá a efectuar un análisis que le permita comprobar la factibilidad técnico-económica del proyecto dentro de las normas y políticas de nuestra institución, correspondiéndole al Directorio la aprobación final y definitiva de su Solicitud.

BANCO CENTROAMERICANO

DE INTEGRACION ECONOMICA

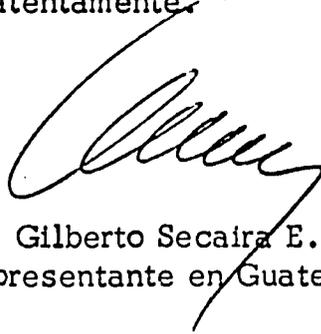
OGUA-337/81

Página No. 2

El monto y las condiciones del financiamiento, en caso sea aprobado por el Directorio, se determinarán con base en el análisis citado y de conformidad con las disponibilidades y características de los recursos del Banco.

No está de más indicarles que al momento de presentar la Solicitud Formal de Préstamo deberán hacer efectivo el cargo por trámite y supervisión, según explica la Circular adjunta.

Aprovecho la oportunidad para suscribirme de ustedes con las muestras de mi mayor consideración, muy atentamente.



Gilberto Secaira E.
Representante en Guatemala

EC/ada

Ref.: Elegibilidad Finca La Perla y Anexos, S.A.,
de Guatemala

El suscrito, Secretario del Banco Centroamericano de Integración Económica, CERTIFICA:

Que el Directorio del Banco, en su sesión No. 942, celebrada el día jueves doce de febrero de mil novecientos ochenta y uno, tomó la siguiente:

"RESOLUCION DE DIRECTORIO No. DI-21/81

EL DIRECTORIO RESUELVE:

Declarar elegible de posible financiamiento la solicitud presentada por la sociedad "Finca La Perla y Anexos, S. A.", de Guatemala, para obtener un préstamo destinado a la compra de acciones".

Es conforme con su original, con el que fue debidamente cotejado.

Tegucigalpa, Distrito Central, nueve de marzo de mil novecientos ochenta y uno.


SECRETARIO
Antonio Membreño M.
Secretario

BANCO CENTROAMERICANO DE
INTEGRACION ECONOMICA

bmc

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USAID GUATEMALA



AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A. I. D. MISSION TO GUATEMALA

USAID/GUATEMALA
APO MIAMI 34024

or c/o American Embassy
Guatemala City, Guatemala, C.A.

21 de enero de 1981

Señor
Enrique Arenas
1a. Avenida 13-64, Zona 10
Ciudad

Estimado señor Arenas:

El propósito de esta carta es dar respuesta a su solicitud referente a que esta Misión proporcione sus comentarios con respecto al plan de desarrollo propuesto para la Finca La Perla y Anexos, S. A., el cual incluye: la venta de hasta el 40% de las acciones de la empresa a los trabajadores; la inversión del producto de la venta de acciones en obras de mejoramiento en las áreas de vivienda, salud y educación para los trabajadores; e, inversiones adicionales para mejoras productivas en la finca.

La Misión AID ha examinado esta propuesta con gran interés. El concepto de participación del trabajador en la propiedad, utilidades y administración de empresas ha sido aplicado exitosamente en varios países incluyendo los Estados Unidos y podría aplicarse en otros países. Aun cuando AID no está en condición de proporcionar asistencia financiera al proyecto de la Finca La Perla, creemos que es un experimento apropiado y oportuno en el contexto de Guatemala. Si el mismo tuviera éxito y se aplicara en una escala más amplia, podría contribuir a aliviar las tensiones surgidas de las presiones cada vez mayores de la población del área rural en lo que respecta a la disponibilidad de tierras.

Dicho experimento tendrá que planearse cuidadosamente y debe darse consideración especial a la viabilidad económica, polí-

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Sr. Enrique Arenas
Página #2
21 de enero de 1981

tica y social del proyecto propuesto particularmente en la zona de El Quiché.

Quiéramos aprovechar esta oportunidad para agradecerles el haber solicitado nuestra opinión con respecto a este interesante proyecto y a la vez deseamos indicarles que nos agradaría conocer los resultados de sus gestiones y colaborar con ustedes en lo que nos sea posible.

Atentamente,


Elisco Carrasco
Director

FOMENTADORA RURAL, S. A. DE C. V.

ESTADO DE JALISCO



FORUSA

Guadalajara, Jal.
Mazmitla 2915 S. J.
Tel. 16-45-63

CRAC.

México 18, D. F.
Minería 145
Tel. 516-04-60

M. P. J.

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FOMENTADORA RURAL, S. A. DE C. V.
EMPRESA MEXICANA DEDICADA AL DESARROLLO RURAL.

INTRODUCCION:

La empresa Fomentadora Rural, S. A. de C. V., se estableció con la finalidad de coordinar y desarrollar mejores sistemas que ayuden a promover la inversión privada, para incrementar las actividades económicas en el medio rural.

La conveniencia e importancia de desarrollar este tipo de empresas, está basada en las consideraciones siguientes:

Existe en el Agro mexicano una inmensa carencia de recursos tanto de dinero, de fuerza de trabajo calificado, como de técnica administrativa.

También se palpa la urgencia de tecnología moderna en gran variedad con el fin de elevar el nivel de la vida rural en México, a un punto suficientemente alto como para satisfacer las aspiraciones nacionales.

Estos son hechos innegables que harán (si no se pone pronto en juego cada recurso de la Nación, tanto de origen público como privado, integrados armónicamente para maximizar su impacto); que no se logre el crecimiento económico de millones de campesinos mexicanos.

Por otra parte, la función natural de la iniciativa privada, como colaboradora que es del gobierno, y considerándolo el problema concreto del atraso rural, consiste en la canalización de oportunidades no aprovechadas o de aparición reciente, con el fin de crear empresas viables que sean propiedad de las personas del medio rural que las operen.

Al cumplir con ésta función, libera a los campesinos de su dependencia de los fondos públicos para su subsistencia, acrecienta la riqueza de la nación y da vigor al mercado interno proporcionando al mismo tiempo esperanza y sentido de la vida a los campesinos y a sus familiares.

Este tipo de empresas le permite a la iniciativa privada contribuir al desarrollo del campo con lo mejor que sabe hacer; convertir el medio rural a través del conocimiento, la destreza humana y la tecnología en una empresa productiva, eliminando así el uso de la filantropía como único canal a través del cual llegan los fondos privados a los programas del desarrollo. La filantropía nunca es adecuada, varía en cantidad y raramente se puede confiar en ella año tras año.

FOMENTADORA RURAL, S. A. DE C. V.

(F O R U S A)

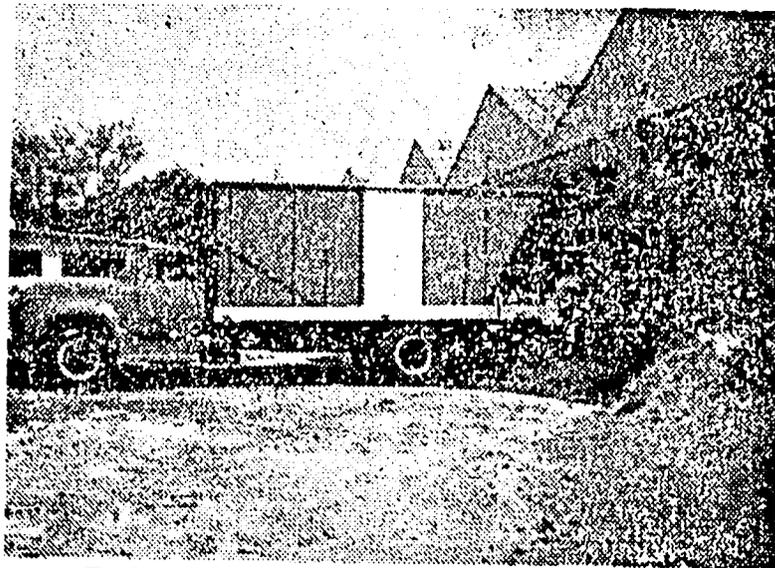
Es una compañía establecida para demostrar la forma en que una empresa puede promover el desarrollo integral (económico y social), en una zona dada.

Las actividades de FORUSA, están actualmente enfocadas en un valle de 6-000-00-00 Has., situado a 50 Kms. al sur de Guadalajara, Jal., valle que se encuentra poblado por cuatro ejidos, y que antes de la llegada de FORUSA practicaban una agricultura tradicional que apenas les permitía mantener un nivel de subsistencia en su producción.

El objetivo de FORUSA, es proporcionar los recursos de tecnología, inversión, crédito, administración y asesoría integral, necesarios para que la agricultura del valle sea más productiva y dinámica.

En parte FORUSA obtiene sus ingresos de un contrato de asistencia técnica con la Sociedad del Valle, S. C. (organismo de campesinos creado por FORUSA):

- 1.— Implementada con este contrato, FORUSA dirige la modernización de los métodos tradicionales, obteniendo así la máxima producción con una mayor utilidad de las cosechas normales en la zona, (Maíz, Sorgo y Garbanzo). En este caso, los rendimientos en tierras de temporal, se han incrementado en un 300 a un 400 %, por consiguiente el ingreso neto por Ha. se ha triplicado. Esto se ha debido no sólo al aumento del rendimiento y a las mejoras operadas en el mercado, sino que también ha sido consecuencia de una mejor administración de los financiamientos.

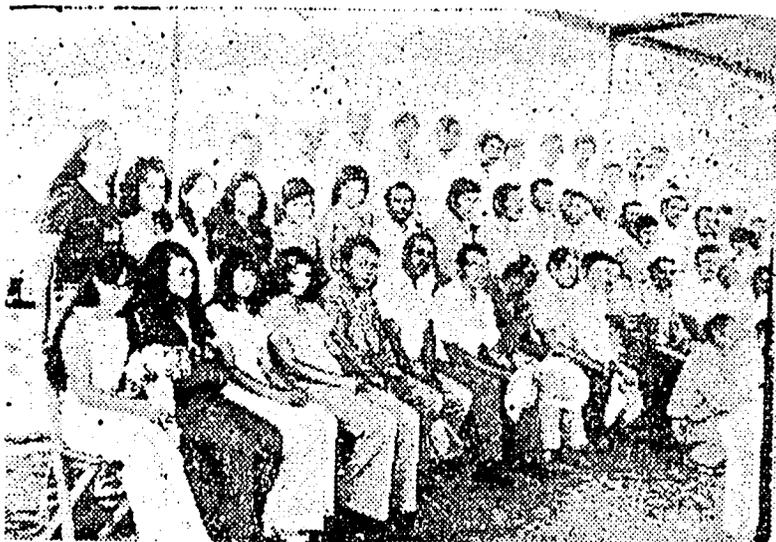


Equipo de Transporte de Sociedad del Valle, S. C.

- 2.— FORUSA promueve la organización de los ejidatarios y pequeños propietarios, y de ésta manera les facilita el acceso a los créditos de la banca privada.

La banca privada ha otorgado los créditos a la organización de los agricultores sin garantía ni colateral. La misma fuerza de la organización y la existencia de un contrato de supervisión técnica con FORUSA, han satisfecho hasta hoy los requisitos del Banco. Aparentemente esta situación no tuvo precedentes en México, cuando se inició en el año de 1972.

A través de la organización de los campesinos, FORUSA tiene un medio ideal para la capacitación, el intercambio constante de los objetivos y el logro de la conciencia de responsabilidad mutua; cosas éstas importantísimas para el establecimiento de la confianza, la cooperación y la continuidad del trabajo.



Miembros de Sociedad del Valle S. C. Después de un Convivio

- 3.— También promueve a nivel familiar, su participación en una organización que incluye a toda la comunidad, llamada Usuarios de Agua Potable de Zapotitán de Hgo., Jal., A. C., a través de la cual se estimula el desarrollo social de acuerdo con sus propios deseos e iniciativas, como por ejemplo: la construcción de un sistema de agua potable, la construcción del camino acceso a la comunidad, ampliación de aulas escolares, etc.

Quando es posible, FORUSA trata de ofrecer préstamos y asistencia técnica, o coordinación con dependencias gubernamentales correspondientes.

- 4.— Invierte sus recursos en actividades que requieren capital en forma intensiva como son las siguientes: Una tienda para la venta de fertilizantes, semillas, productos químicos, ferretería, artículos escolares y otros que la comunidad desea; una central de servicios agromecánicos, para preparación de tierras, siembras, cosechas y empacado de forrajes, etc. cuyos beneficios ayudan a sostenerse y diversificar su campo de actividad.

A través de estas inversiones es como se pretende recuperar el capital para los accionistas y a la vez, transferir esos medios de generación de beneficios a la gente del campo por su organización que es "Sociedad del Valle, S. C."

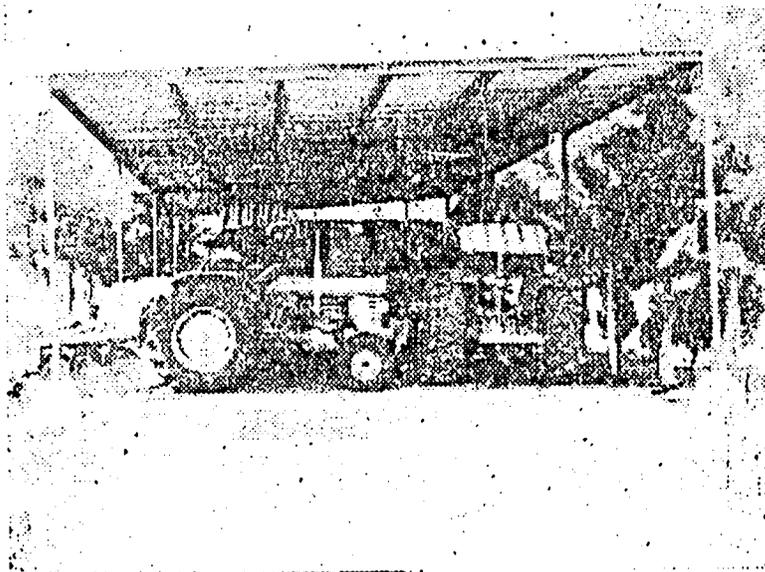
- 5.— También invierte en experimentos de diversificación de cultivos con el fin de poder introducir los que tengan mayores beneficios, para que de ser posible, se logren varios cultivos simultáneos en el valle. Todo esto aumenta los ingresos de la gente a la vez que disminuye el riesgo de un monocultivo, crea fuentes de trabajo y abre nuevos horizontes para inversionistas ulteriores.

6.— Sirve también como eslabón entre la comunidad y los recursos ajenos a ella, muchas veces desconocidos o considerados como fuera de su alcance como son: la banca privada, centros de inversión, fuentes de nuevas tecnologías, cursos cortos de capacitación en el manejo y administración de maquinaria agrícola proporcionados por la industria, programas gubernamentales, dependencias públicas que controlan el pago de impuestos, uso de tierras y agua, agencias que controlan el precio y disponibilidad de semillas mejoradas y fertilizantes . . . cuyas relaciones y contratos son básicos para una economía en crecimiento.

No hay duda en que a medida que FORUSA vaya transfiriendo la propiedad de cada una de sus actividades a los campesinos, se abrirán nuevas perspectivas para más y mayores inversiones, las cuales diversificarán en forma progresiva la economía local.

La primera actividad establecida por FORUSA hace tres años, fué la tienda que se menciona en el No. 4; para fines de 1973, recuperó el 100% de su inversión original de \$75,000.00 con un interés del 6% anual y había capacitado a miembros de la Sociedad del Valle, S. C., en la administración de la tienda, la adquisición de inventarios y en un sistema de contabilidad.

El primero de marzo de 1974, la propiedad y control de la tienda de FORUSA, pasó a la Sociedad del Valle, con inventario por valor de \$30,000.00, a través de un préstamo a pagarse en tres años, a una tasa de interés del 6% anual; a fines del mismo año la tienda aumentó sus ventas en un millón de pesos aproximadamente, en comparación con el año anterior, ascendiendo sus utilidades a más de \$90,000.00 aproximadamente. Y para el ciclo de 1975, se obtuvieron utilidades mayores a los \$300,000.00.



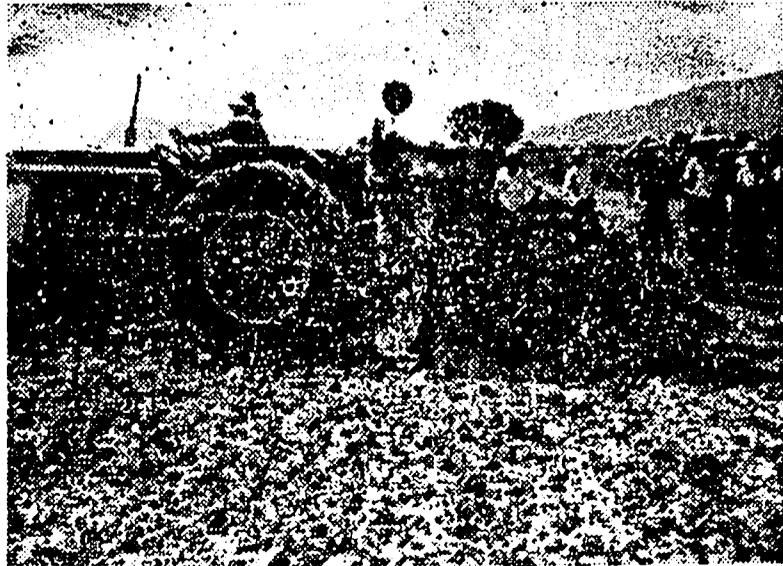
Central de Maquinaria de Sociedad del Valle, S. C.

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Todos esos excedentes o utilidades se dedican una parte a incrementar el capital social y otra parte para repartirla entre sus agremiados a finales del ejercicio, de acuerdo con las actas constitutivas de la misma Sociedad.

A fines de 1975, FORUSA suspendió su Central de Servicios Agro-mecánicos en el valle para dar lugar al establecimiento de la primera Central de Maquinaria Agrícola en manos de los campesinos de la sociedad, la que empezaron a manejar a principios de 1976, constando de 8 tractores, 2 trilladoras combinadas, instalaciones para oficinas y albergue de la maquinaria, cuyo costo asciende a un total de \$ 3'480,000.00, los cuales fueron refaccionados por el Banco Nacional de México, S. A. y el Fondo de Garantía para la Agricultura y Ganadería.

Por su parte Sociedad del Valle, S. C. en el año de 1974, solicitó un proyecto de factibilidad a FORUSA con el fin de adquirir algunas unidades de transporte, cosa que se realizó mediante la aportación voluntaria de una cuota de \$ 1,000.00 por cada socio y un préstamo refaccionario hecho por Banamex, mismo que ha sido cubierto con toda oportunidad. Esta operación ascendió a más de los \$ 200,000.00, pero que ha servido para la transportación de sus productos a más bajos costos.



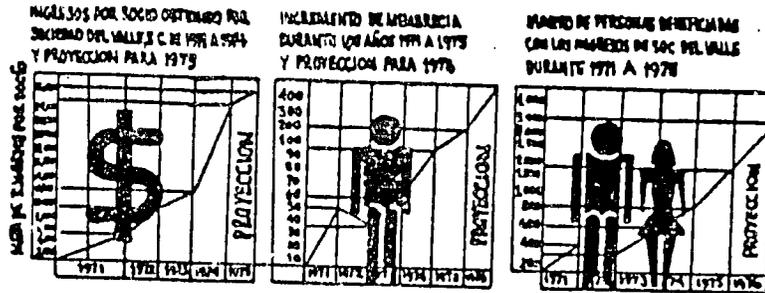
Aplicación de Nueva Tecnología. Sociedad del Valle, S. C.

En 1974 las actividades conjuntas de FORUSA y Sociedad del Valle, S. C., beneficiaron a un 20% de los ejidatarios del Valle y para 1975 se duplicó este porcentaje con 1,200-00-00 Has. bajo su administración técnica y aproximadamente 200 jefes de familia inscritos en la sociedad, lo cual representa aproximadamente 1,500 personas.

Para 1976 el programa cuenta con 450 jefes de familia con 2,839-00-00 Has. y más de 4,000 personas beneficiadas.

Actualmente se trabaja en la formulación de un proyecto integral para toda la zona que comprende el desarrollo de un sistema de irrigación de 1,500-00-00 a 2,000-00-00 Has, el establecimiento de una cuenca lechera con

**FOMENTADORA RURAL, S.A. M.C. TRABAJANDO PARA SOCIEDAD DEL VALLE, S.C.
PLANIFICACIÓN DE COORDINACIÓN RURAL, A.C. GRUPO ICA**



Los ingresos indicados provienen de cuatro hectáreas de sorgo. Muchos de los socios en la Sociedad del Valle participan con ocho hectáreas bajo la administración técnica de FORUSA. En esos casos, sus ingresos netos en 1974 subieron hasta \$50 000, después de pagar todos los costos del cultivo.

**SOCIEDAD DEL VALLE, S.C.
-LOGROS DE 1974-**

INGRESOS GLOBALES NETOS ENTRE MIEMBROS DE SOC DEL VALLE \$ 3 000,000.00
ADQUISICIONES E INVERSIONES PARTICULARES REALIZADAS POR LOS SOCIOS DE SUS GANANCIAS

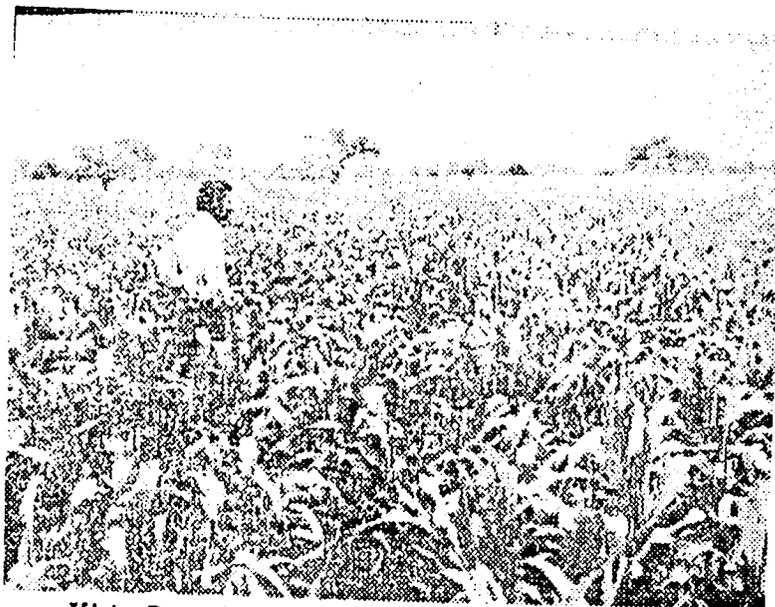
<p>COMPRA DE 4 CASAS HABITACION POR VALOR DE \$ 150,000.00</p>	<p>ADQUISICIÓN DE VEHICULOS Y MAQUINARIA 6 UNIDADES CON VALOR DE \$ 250,000.00</p>	<p>ADQUISICIÓN DE MUEBLES Y APARATOS ELECTRICOS CON VALOR DE \$ 200,000.00</p> <p>25 MAQUINAS ES ESCRIBIR CON VALOR DE \$ 50,000.00</p>
<p>10 ACONDICIONAN CERROS O CERRITOS CON DE CERRAS POR VALOR DE \$ 200,000.00</p>	<p>20 CUENTAS DE AHORRO EN BANCOS POR VALOR DE \$ 500,000.00</p>	<p>COMPRA DE 30 CABEZAS DE GANADO VACUNADO CON VALOR DE \$ 100,000.00</p>

Una impresionante demostración de la seriedad y responsabilidad de los ejidatarios, miembros de la Sociedad del Valle, es la forma en que aplicaron sus ingresos después de la cosecha de 1974. Los socios ahora están conscientes de la importancia del ahorro y las inversiones a largo plazo.

toda su implementación (establos, enfriaderos, fábrica de alimentos, etc.) Este proyecto se llevará una inversión de más de \$ 125'000,000.00 de pesos y vendrá a beneficiar a más del 70% de los habitantes del valle.

Es interesante hacer notar que hasta fines del año de 1974 los miembros de la Sociedad del Valle, S. C., pertenecían exclusivamente al ejido de Zapotitán, y que para 1975 estos aceptaron como miembros a ejidatarios de Huejotitán, San Marcos, el Molino y Barranca de Sta. Clara; y en 1976 a ejidatarios de Patrerillos y Ahuiculco. Este paso nos parece importante por el significado que ello implica, ya que no podrían ayudar a otros ejidatarios como lo hacen entre ellos mismos, si no hubieran adquirido cierto sentido de responsabilidad, y porque nos muestra también que es posible romper los límites rígidos de cada comunidad identificada históricamente con el individualismo, dándonos una esperanza de que se pueda acelerar el proceso de todo desarrollo rural si se promueve una eficiente ayuda mutua entre los mismos campesinos.

A la fecha el Ejido Barranca de Sta. Clara, se ha constituido como una sociedad independiente y mantiene ayuda eficiente a los ejidos de Ureña, Sta. Catarina y Briseño.



Vista Panorámica de Parcelas dentro del Programa

Lo mismo se pretende que suceda con el ejido de Ahuiculco, que al momento de redactar el presente ensayo, se encuentra tramitando su constitución como una sociedad más y promoviendo la organización en los ejidos que le quedan más cercanos.

De hecho lo que se ha realizado en Barranca de Santa Clara, es la primera transferencia total o duplicación del modelo FORUSA, aunque realmente estamos en vías de lograr no sólo la duplicación, sino la multiplicación, ya que a la fecha se han iniciado otros proyectos más en dos Estados de la República que son Chignahuapan, Puebla, y Cd. Mante, Tamps.

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C U A D R O 1
 DATOS ESTADÍSTICOS. FORUSA SOCIEDAD DEL VALLE S. C. Y FUTURAS SOCIEDADES EJIDALES

	1973	1974	1975	1976	1977
NUMERO DE SOCIEDADES	1	1	1	2	4
NUMERO DE MIEMBROS	39	93	245	458	916
NUM. DE PERSO. BENEFICIADAS.	500	800	2000	3700	7328
SUP. ADMINISTRADA POR FORUSA A TRAVES DE UN CONTRATO DE ASESOR. INT. SOC. DEL VALLE	368 Has.	540 Has.	1360 Has.	2839 Has.	6000 Has.
CREDITOS RECIB. POR LAS SOCS. DEL BCO. NAL DE MEXICO, S. A.	666,000.00	1'179,000.00	3'000,000.00	10'157,187.00	26'200,000.00
PROMEDIO DEL INGRESO NETO DERIVADO DE CULTIVOS DE MIEMBROS DE LA SOC	8-10,000.00	30,000.00	25,000.00	35,000.00	35,000.00
INVERSION DE FORUSA EN CENTRAL DE MAQUINARIA (M. N.)	820,000.00	1'000,000.00	1'807,686.00	2'100,000.00	2'300,000.00
INVERSION DE FORUSA EN DEPTO. DE EMPACADO			150,000.00	200,000.00	
CAPITAL DE INVERSIONES DE FORUSA	120,000.00	175,000.00	200,000.00	500,000.00	1'000,000.00
NUM. DE INVERSIONISTAS DE FORUSA	7-	9-	10-	18	25
CENTRAL DE MAQUINARIA DE SOC. DEL VALLE				2'200,000.00	
VENTAS DE TIENDA BAJO SOC. DEL VALLE		1'150,000.00	3'007,833.00	6'014,000.00	12'000,000.00
INGRESOS DE LA TIENDA SOC. DEL VALLE		78,000.00	307,656.00	150,000.00	1'200,000.00
VENTAS DE FORUSA (M. N.)					
CENTRAL DE SERVICIOS AGROMECANICOS	291,000.00	481,000.00	935,671.00	1'083,000.00	1'234,000.00
ASISTENCIA TECNICA	48,000.00	69,000.00	173,000.00	567,800.00	600,000.00
CENTRAL DE EMPAQUE		75,000.00	190,000.00	96,250.00	96,250.00
PARCELAS DE DEMOSTRACION	65,000.00	122,000.00	60,800.00	120,000.00	120,000.00
ING. PERDIDA NETA DE FORUSA	(33,500.00)	31,950.00	(128,000.00)	164,326.00	789,778.00
NUMERO DE EMPLEADOS DE FORUSA	8	14	18	22	22

ACCIONISTAS DE FOMENTADORA RURAL, S. A. DE C. V.
(FORUSA)

- 1.— *Ingenieros Civiles Asociados, S. A.*
- 2.— *Massey Ferguson of México, S. A. de C. V.*
- 3.— *Bank of America N. T., S. A.*
- 4.— *Ames Tinsa, S. A.*
- 5.— *Anderson Clayton Co., S. A.*
- 6.— *Dr. Redwers Opie*
- 7.— *Ing. Carlos Rojas Magnón*
- 8.— *Ing. Javier Torres Ladrón de Guevara*
- 9.— *Srita. Ma. Victoria Ladrón de Guevara*
- 10.— *Sr. Jorge Chidan Harfush*
- 11.— *Ing. Alvaro Hernández*

XA-100-708-A
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Managing a Rural Development Enterprise--

Query: How To Train for the Job¹

Simon Williams²

Introduction

Throughout the world, policy and financial support directed toward the rural sector is shifting emphasis from purely agricultural to what is generally designated as "integrated rural development." To quote from an informal memorandum on "Human Resource Training for Rural Development in Latin American Countries," prepared for discussion within the Interamerican Development Bank:

"In recent years, both Latin American governments and aid agencies have become increasingly interested in the multi-dimensional, integrated type of rural investment projects. Such projects, generally designated as "integral rural development" or simply rural development (R.D.) differ in a number of respects from the usual type of agricultural projects. The latter have typically focused on a single aspect, (i.e., credit, irrigation, crop technology) while R.D. projects tend to be more complex or ("systemic") and attempt to cover simultaneously a number of aspects. Furthermore, R.D. deals not only with farm production, but is concerned with upgrading the economic performance and social well-being of rural people. In this sense, R.D. projects tend to be spatially-oriented, by concentrating on the incomes, employment and welfare of a given population in specific rural areas. Virtually all the multi-lateral and bi-lateral assistance agencies have strong policy mandates related to a comprehensive attack on rural poverty, which favor this sort of an approach.

¹Prepared for Presentation at the Conference on Appropriate Management, Graduate School of International Studies, University of Denver, Denver, Colorado, May 8-9, 1978.

²Director, Center for Agricultural and Rural Development, a division of IDEAS, Inc., Ft. Collins, Colorado; Advisor to and Founder of Coordinacion Rural, A.C., a subsidiary of the Grupo ICA, Mexico City, Mexico; and, Affiliate, Department of Economics, Colorado State University.

Initially, such projects focussed on integrated agricultural promotion by providing several of the essential components on an interrelated set of farm development (i.e., land development, credit, marketing, research, extension), but more recently the set of activities which make up the R.D. package expanded beyond farm production to encompass other needs of the rural population, such as social services (health, education, nutrition, water supply); economic infrastructure (feeder roads, electricity) and even linkages to the smaller urban centers (rural industries, service centers, storage and supply facilities, etc.). If the area in question is a watershed or another type of eco-system, R.D. investments may also include conservation measures and other ecological components.

The majority of such R.D. projects have also become concerned with new institutional arrangements: the strategy generally calls, on one hand, for strong peasant and village associations to insure grass roots support and self-help, while on the other, for decentralized administrative mechanisms, in which the work of the various governmental agencies can be suitably coordinated at the action level and made more responsible to local needs."

The single most dominant obstacle to accelerating rural development the world over is the lack of managerial talent capable of and committed to the administration of rural enterprise.

The single, outstanding cause of waste and project failure in rural development has been and remains the assignment of top management responsibility to those without training in management. Everywhere in the world there is an awakening to the fact that agronomists or other technicians...economists or other social scientists...or politicians, however skilled in their fields, do not necessarily make good managers of rural enterprise. Productivity increases tend to become ends unto themselves and are equated to rural development. Planning tends to become an end unto itself and a "good" plan thought to be automatically catalytic in the development process. National goals, fervently expressed, are assumed to generate progress among the rural poor and disadvantaged. So, individual elements of the process of rural development take on the image of the whole. At great cost, projects are implemented. At great

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loss, resources are wasted and hope is dimmed. In the sum total of cost/benefit calculations, there remains a negative quantity, expressed as the perpetuation and growth of human misery.

Recognition is growing that rural development is a subtle, complex, long term process, subsuming technology, marketing, finance, training, organization, human motivation, cultural form, political thrust, among other facets of individual and societal behavior and structure. Recognition is growing that the management of rural development enterprises calls for professional managers, with skills which are at once generalized and specific in their application, e.g. ability to understand and appreciate the nature of all the constituencies inextricably involved, including the rural people at a project site, representatives of government, technologists, industrialists, merchants, bankers, lawyers, accountants, teachers, humanists, unionizers, revolutionaries, reactionaries, among other categories whose representatives overlap and shift in time and place and importance; ability to handle inputs as investments for profit and to turn profit as money into gain for the rural beneficiary of the enterprise; ability to relegate responsibility without loss of authority...to balance prudence and risk...to bear up under failure...to admit to error...to make decisions...to plan for continuity beyond personal tenure; among the myriad of other skills which have been described as being basic attributes of the ideal manager.

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An Illustrative Case from Mexico³

For the purpose of the Conference, this paper will refer to rural development as an "enterprise," essentially a business enterprise. Since it is impossible to define precisely what is meant by the term "integrated rural development enterprise," the best definition is likely to be but a clear image, perceived from a description of an actual operating project which may then serve as a prototype.

As stated, the enterprise is considered as a business, entered into for a profit, the product of which is rural development. The business creates jobs within itself and jobs for some of the rural poor. It catalyzes the creation of new wealth, from which it draws the income necessary to support its cost. The major portion of this new wealth, in the form of income and in the form of a growing body of capital assets, passes to the people at the project site.

The new wealth generated derives, in part, from increasing the return on the capital normally found in rural areas, e.g. the land and skills of the people, but which are underutilized. As well, wealth is formed as a result of inputs of fresh capital, invested in appropriately sized businesses which were not there beforehand. Such businesses may be commercial, manufacturing or service in nature; they may or may not be based on upgrading the value of agricultural raw materials. No matter what its original source, all new capital formed at the rural site becomes the property of the local people over the time necessary to

³The case described is taken from work which began in Mexico in 1965 and is illustrative of a process of rural development now being replicated throughout Mexico under the aegis of Coordinacion Rural, A.C. Too, current efforts to extend the application of the method into Central America, as a test of the general utility of the scheme, are being directed by IDEAS-Center for Agricultural and Rural Development, under the terms of a Development Program Grant from U.S.A.I.D.

recover equity from payments out of profit and to train the beneficiaries in the arts and skills of management and ownership. The enterprise has the formal responsibility for training and to bear the cost of training.

The model rural development enterprise is a small to medium-sized operation, with less than 20 employees, even though it may involve itself with thousands of people (hundreds of families) and with quite large land areas, e.g. in Jalisco, Mexico, the model manages approximately 7,500 acres of land controlled by over 400 farmers in ten separate villages. To appreciate the play of problems and, hence, the range of management capability required, the model enterprise must be seen as being based on the following generalized characterizations of underdeveloped rural areas which, while very specific to the Mexican ambience, are believed to hold throughout Latin America, Africa, and Asia.

1. Every rural area selected by agents of change for a development project exhibits two distinctly different but absolutely inter-related features. One, is that in the opinion of such agents, based upon knowledge not common at the project site, ~~that~~ the physical and human resources in evidence hold out the promise of increased productivity and profit, if only what is known to do can be done. Two, is that rural people simply do not know how to deal with--to compete with--fight back against--forces external to the community which oppress and constrain.

The management of a rural development enterprise must recognize both features and must relate to the changes necessary with great sensitivity and dexterity. For one thing, the introduction of new

techniques with which to increase productivity requires the acceptance of changes in traditional ways, by itself a subtle and complex cultural shift, even if no other consideration than productivity and net income were involved. But more is involved. The net beneficial effect of agricultural development, for example, depends in no small way upon the management of the external forces referred to above. These forces include the demands of the law, bureaucratic implementation of the law, financial arrangements, marketing systems, changing technology, centralized control of education, political power, national objectives, among others. Managing these forces in the interest of the rural people is far more difficult than introducing productivity measures. The two together demand of the rural development enterprise a level of managerial talent and a longevity of presence beyond anything heretofore conceived among the donors and receivers of development assistance. Without doubt, the management skills required are different from and go far beyond the technical skills which are so often the context of management training programs, such as fiscal control, marketing, feasibility analysis, purchasing, personnel relations, among others.

2. Every rural site selected for a development project suffers from one physical handicap beyond correction, namely, the small size of the land holdings. No matter if in time the land is brought to its optimum productivity and maximum yield of income, the net result will still fall short of the goals of rural development, in the sense of bringing to a family of six or eight the means of so enhancing the quality of life as to have cherished hopes touch upon reality. So it is that the enterprise must have the capability of creating new and different sources of wealth, that is, new forms of productive businesses

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which become owned and shared by the local people. This implies on management an intellectual outreach far beyond the demands of agricultural development. This is not to say that the manager must himself be sufficiently expert in an almost infinitely varied range of technology. Rather, he must know of the need and have the capability of seeking for and recognizing the utility of new ideas...where to turn, how to evaluate, when to act.

3. Every rural site selected for development suffers from yet another physical constraint beyond correction, namely, there is never enough land or other physical source of income, to go around, especially as the years go by and population growth accelerates. How can the rural development enterprise deal with family planning? What can be done for the landless? Perhaps there are no satisfactory answers to these questions but management cannot put them aside as matters of no concern. If concerned, what is there to do? Action may call for innovations at the frontiers of social revolution and beyond the pale of accepted economic theory. For example, in our needed rural development enterprise, consideration is given to diffusing the ownership of newly formed capital in such a way that the landless, the most poverty-stricken, receive shares in excess of those with land.

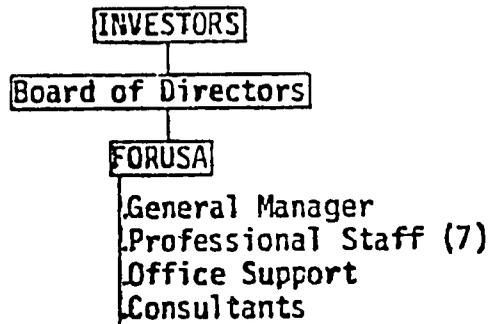
4. Rural people needing the help of a development enterprise are normally traditional in their values and social relationships, in such a way as to restrain change. Historically, change agents have dealt with local mores in one of two ways. The romanticists, working as they say "from the bottom up," have insisted that people know what they want and, really, know how to get where they want if only given the economic means. This school of operations teaches that outsiders, e.g. the

managers of rural development, have neither right nor should they maintain the effort to induce social change...that is "up to the people to help themselves." The authoritarians, to the contrary, claim that "top down" control is an absolute necessity if economic and social change is to take place when confronted with the tenacity of custom and the vagaries of human behavior. However, experience in the field, worldwide, indicates that most rural people need help, sustained and formal help, to help themselves; that while such people can and do articulate their hopes with clarity and passion, they must be encouraged, directly helped and often, at least at the outset of change, be "managed." As well, it has been demonstrated beyond doubt that people in desperate need will often resist at all costs a dictation of social change. Authoritarianism, usually expressed with arrogance and intolerance, fails in the rural development context. Thus, given the need for management to relate operationally to social change as the ultimate, priority goal of the rural development enterprise, the demand on the manager is further extended. He must reckon with the needs and desires of the local people, be sensitive to their values and traditions, and resistance to force, yet understanding of their incapacity to induce the changes so necessary to the achievement of their personal, family and community aspirations.

Without going more deeply into these four elements from which the design of our model rural development enterprise takes its form,⁴ the form itself is built up in the following sequence:

⁴The implications of what is covered by each of the four points are both profound and complex in their inter-relationships. Space does not permit a further elaboration. Hopefully, a book on these implications, now being started, will reveal them all and demonstrate more clearly the necessary design of rural development and the full scope of the demand on management.

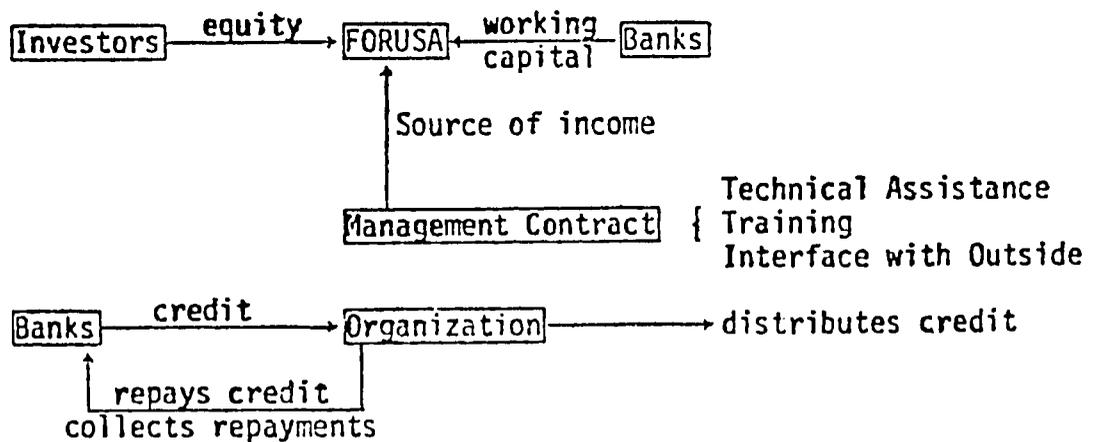
First, a development company is formed, intended to operate at a profit as a producer of integrated rural development. This company, called FORUSA, attracts its equity and loan capital from private and public sources, outside of the rural area to be helped. Diagrammatically, the first step looks like this:



FORUSA is considered to represent the manager or promotor of rural development whose function is thought of as permanent. Initially and for any necessary period of time, the General Manager and his technical staff come from outside the rural site. Whether or not this staff is eventually replaced by local people is not a priority consideration. What is vital is that FORUSA and its staff become a living part of the rural community...an everyday presence which is neither "top down" or "bottom-up" in its relationships and which immediately as it is formed extends the capability of the community to deal with the world around it.

Second, FORUSA organizes the first group of farmers who volunteer to place their capital (land and themselves) under management. This organization is vital to the process of development. Governance within the organization is under full control of the farmers. However, land of the members is aggregated for management by FORUSA. While land tenure relationships are untouched, farmers under contract yield control

of their agricultural practices to FORUSA. The management contract provides for three services. One, is technical assistance or farm management covering new technology, credit and marketing. Two, is training, so that each member of the organization learns about the new technology, about organization, savings, profit and, as time goes on, about political action, the use of wealth for long term investment in diverse sources of profit and, the use of wealth, rather than its simple accumulation, for enhancing the quality of life in the community. Three, is contact with outside influences which restrain or encourage integrated rural development. The members of the organization, pay for the services and, in so doing, start FORUSA on the road to self-sufficiency, in terms of income to cover costs. The farmer organization itself is profit-making, with the members as shareholders and no shares may be sold to non-members. The organization receives, distributes, controls and is responsible for credit, derived from private and/or public banks. The banks must be persuaded to provide the credit, since no collateral other than crop insurance is available. Diagrammatically, the build-up by now may be shown this way:

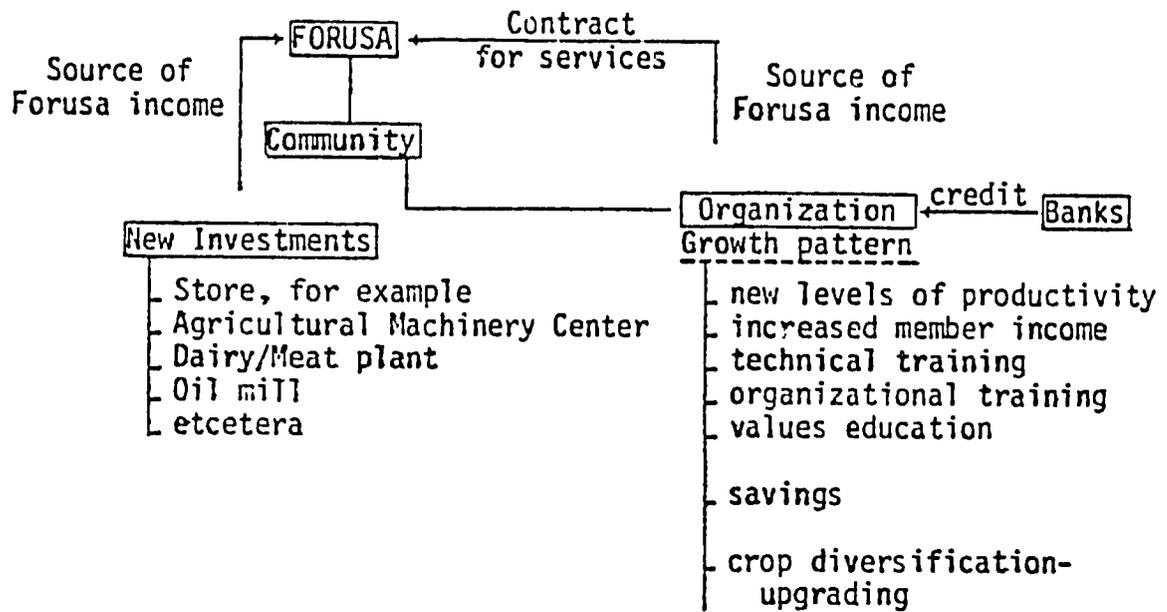


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The banks give credit because FORUSA provides skilled technical supervision on a constant basis. The farmers pay for the services because the line of credit includes the contract cost and because without FORUSA supervision, the banks will not provide the credit. FORUSA must charge for its services in order to earn income, a necessary part of self-sufficiency and the only way to ensure FORUSA presence over the long term.

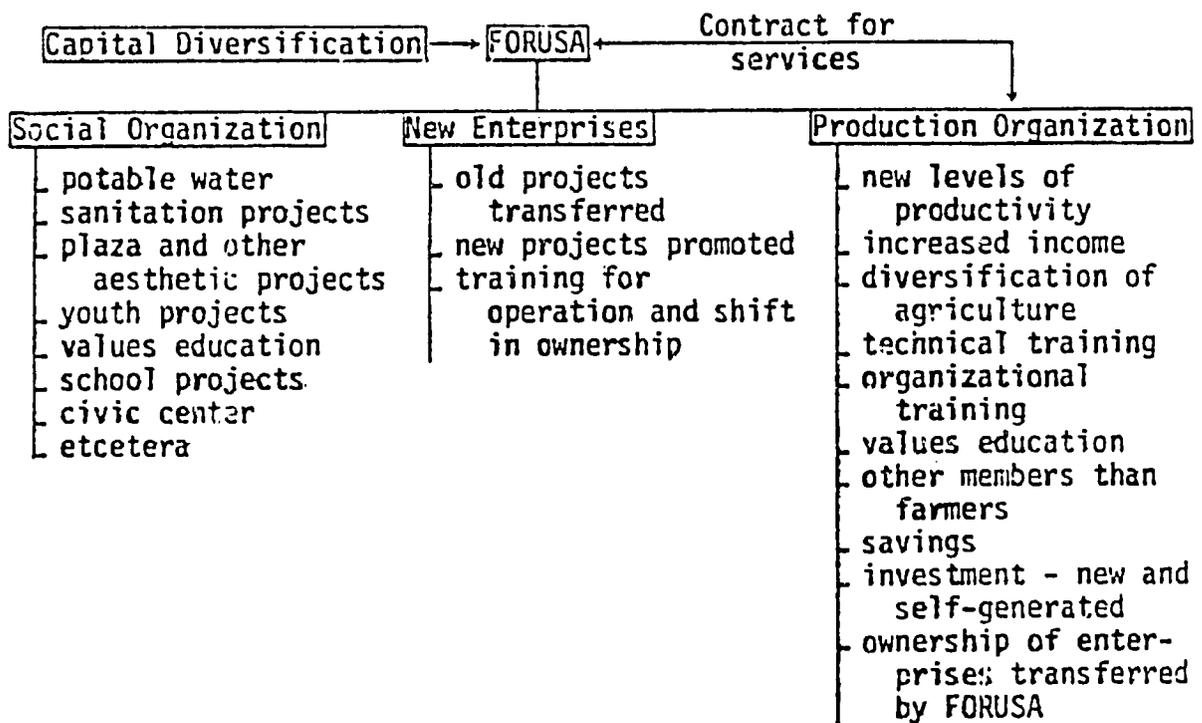
Once the FORUSA-FARMER ORGANIZATION-BANK relationships are established and new levels of productivity and income are attained, more farmers tend to join the organization and a dynamic element of enterprise growth is set in place.

Third, FORUSA enters the stage of new capital formation. Feasibility studies are undertaken. If the studies are interesting in terms of investment, FORUSA management proposes to the Board of Directors that new capital and loans be obtained to support the businesses to be introduced. If financed, 100 percent of the risk during the early years of development is taken by the outside investors since neither money at risk nor the concept of long term investment exist, as a rule, among the people at the rural site. Diagrammatically, the growth of the FORUSA enterprise may now be shown to be --



In plan, all new investments, once they are profitable, are bought from FORUSA out of profit, in the name of the farmer organization. These new investments are intended to provide a source of income for the landless; to diversify the income base of the farmers; and, to provide jobs.

Finally, as the economic activity of the community is stimulated, as people are excited and can begin to take the necessary time to think of alternative ways of shaping their lives, the enterprise fosters organization for social development. Whereas FORUSA itself is the prime source of ideas for economic growth, the community is the prime source of ideas for social change and FORUSA responds with technical help, financial help and formal efforts to use the change process as an experiential base for values education. Diagrammatically, then, FORUSA in all its complexities, looks like this --



The Characteristics of Management

Given the foregoing model of a rural development enterprise from Mexico and, assuming this model or something analogous is what must be managed anywhere in the world, what characteristics should the manager have, ideally, in order to be effective?

For two years, in Mexico, a committee of rural developers, meeting with representatives of the Graduate Faculty of Business Administration, National University of Mexico, tried to confront this question. Currently, in Colorado, the IDEAS Center for Agricultural and Rural Development is conducting a seminar with staff and consultants from the fields of learning dynamics and business management education, again seeking an answer which might contain both an adequate description and guidelines for a training program. The result of all this, to date, has been enlightening, amusing and confusing. For example, some of the "basic" characteristics so far listed are these:

Controller	Organizer	Planner	Sensitiveness
Creative	Humanistic	Articulate	Openness
Systematic	Leader	Decision Maker	Resilient/Elastic/ Tough
Charismatic	Pragmatic	Sense of Humor	Sound in judgement
Problem solver	Realistic	Accountable	Broadly interested and knowledgeable
Facilitator	Optimistic	Healthy	Supportive
Coordinator	Entrepreneurial	Toughness	Loving

Some of the tasks of management have been described in these terms --

Increase farmer income
 Increase FORUSA income
 Increase local participation/increase national participation
 Change values
 Improve utilization and conservation of resources
 Increase skills of political participation of others
 Skilled political participation by management
 Increase competence in dealing with outside forces
 Rationalize conflict
 Bring about new investments
 Effect the transfer of ownership/diffuse the ownership of capital
 Create farmer organizations
 Train in relevant technical areas
 Train in organization
 Develop new managerial talent
 Enlarge participation in decision making
 Motive staff, farmers and others
 Catalyze community interest in social goals
 Involve youth
 Relate the rural areas to regional and national activities and goals
 Inspire hope
 Eliminate fear of change
 Demonstrate value of the FORUSA system and obtain public support
 Encourage replication

Where in the world are managers, ideal or even a rough approximation of the ideal, to come from? Can people be found and can a training program be designed for them to the end of creating a pool of managers capable of forging a systematic and dynamic interaction of personal, cultural, social, political, legal, technical, financial and other economic factors? Obviously, practical considerations dictate some compromise in defining both job and the necessary minimum set of characteristics of the manager.

Yet...caveat emptor, let the buyer of compromise beware! To the extent that a project or program of rural development fails to take into account all the factors involved, as well as the manner in which their interdependency may shift with time, the risk of failure and wasted resources increases. Further, even if the system is taken into account and brilliantly integrated into a plan of action, the quality of management remains the critical variable affecting success. Intellectual brilliance combined with emotional instability; competence without the ability to communicate; moral commitment without tenacity of purpose; success orientation so strong that fear of failure becomes obsessive; orthodoxy which constrains flexible responses to unpredictable events; these and other qualitative aspects of human behavior can dominate the odds that a project succeeds or fails.

The Training Problem

The traditional and essentially correct answers to the question-- where are the managers of rural development enterprise to come from?-- is: from training institutions devoted to the purpose. The fact is that there is no such institution in the world, today.

True, there are bits and pieces of such training manifest everywhere. Schools of Business, Agriculture and Engineering, as well as Departments of Economics, Sociology, Anthropology and Psychology, all, to a greater or lesser degree provide skill and sensitivity training which could be basic elements in the equipment of a manager of an integrated rural development enterprise. The Commonwealth Development Corporation (England) offers some relevant training in its center in Swaziland. The U.S.D.A. includes some material in the courses offered

by its Foreign Development Division. The Project Planning Centre for Developing Countries of the University of Bradford, Bradford, England, does the same in special short courses...and so does the World Bank, in Washington, D.C. The Central America School of Business Administration in Honduras; the Ph.D. program in rural development at the Davis campus of the University of California; the bachelor's degree program in the "management of agribusiness" at Monterrey, Mexico, Institute of Technology; occasional courses set up by ORT of Geneva, Switzerland; among others, also touch upon the training required. The Israeli Settlement Center in Rehovot; the Centro de Capacitacion del Desarrollo (CECADE) in Mexico; the Instituto Colombiano Agropecuario (ICA) in Colombia; the Catholic University in Ecuador; the College of Agriculture in La Molina, Peru; the University of Costa Rica; the Universidad del Valle, Cali, Colombia; these and no doubt other institutions in Latin America, Africa and Asia have all made course and program adjustments which approach the training of administrators of integrated rural development enterprises.

However, nowhere is to be found a relevant academic content, brought together solely with the objective of training the managers-to-be or upgrading the performance of current managers of integrated rural development. Such a curriculum, if it is even thought reasonable to bring one together, has yet do be invented. In any event, adaptations to the trend away from purely agricultural development toward the more complex and demanding field of integrated rural development seem to have been largely ad hoc rearrangements of standard academic fare and, for good reason. To date, the necessary time, talent and financial support has not been committed to the task.

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Looking back at the list of the characteristics and tasks of a manager of rural development, a first demand on a training program is obviously care in selection of students. Many of the traits listed must come already packaged in the personality of the candidate. While something may be known about heightening awareness of many basic human virtues and weakness, there is little known about how to develop such characteristics through formal substantive courses. No field of work could possibly call for a better balance of personality than the management of rural development and, hence, no training institution devoted to training in this field can turn its back on weaknesses in the process of selection of students. It is agreed that selection techniques are notoriously inexact even when used; it is equally notorious that in education devoted to the objectives of economic and social development even the techniques available have not been systematically used. Training for managerial responsibility in rural development clearly calls for: a) the best selection possible, now; and, b) a serious commitment to research leading to better methods.

Beyond selection, a second demand not yet met is the call for novel content in the training program. Because so little research has gone into the justification of course design, we have little cumulative stock of knowledge about what to teach or skill at teaching classical content, e.g. decision making in organizations, group behavior, leadership and motivation, human resource management, economic development, development issues, politics and power, the nature and management of conflict, sociology, anthropology, among others found in the outlines of program after program, in a manner both relevant to the unique

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management tasks of the rural developer and unforgettable in the future operational setting.

Given weakness in the selection process, inexactness in the determination of course content and inexperience in teaching or adapting traditional courses to the particular needs of rural development administration...and, given the widespread lack of support for the necessary research on method, our own approach to training is taking the following steps:

1. Candidates for managerial posts will have as a prerequisite for the job at least a college degree which reflects a reasonable blend of courses in the social and physical sciences; "reasonable" in the sense of satisfying the selection committee (itself a reflection of broad educational inputs and a wide range of experience) that the base of an "educated man," has been forged, if not tempered. We are working to establish a clear image of such a man, in the end with the intention of trusting our judgement rather than seeking for quantitative measures.

2. Candidates will also be required to have at least two years of work experience, not necessarily in an administrative post. Favor will be given to those with more experience. However, it is in the revelation of what the experience has meant in terms of the integration and utility of formal education as a tool for performance on the job, that we shall be searching for relevance to the job of manager of a rural development enterprise.

3. Other than using education and experience as criteria of selection, we will base selection techniques, e.g. tests and interviews, on their value in identifying the personality traits we already have identified (together with others that may suggest themselves). Our

search for techniques of proven value, however careful one must be in their use, will go on for some time yet; in any event, tests for knowledge will not be used, except indirectly and, possibly, in the course of interviews.

4. Our "course" will have as its goal the attainment of a clear appreciation of the total process of managed change as all that any training effort can aspire to achieve. It is true and undeniable that methods of effecting change should always be sought out, defined and transferred to new situations when possible. However, a unique set of variables, which can confound the application of a preset formula for change, is always at work, as is demonstrated conclusively by experience in the field world over. Any training program (and particularly one of short duration) which concentrates on providing a how-to-do-it handbook to cover every contingency in the field, is simply doomed to frustrate teacher and student alike, and in design lacks integrity. Its goals are unattainable and should not be allowed to go unchallenged. Thus, a training program such as is envisioned must focus on achieving a clear, sensitive, unforgettable appreciation of what must be taken into account, but leave it to the adaptive intelligence of the learner to guide him toward greater effectiveness in his particular assignment.

The "adaptive intelligence" referred to is most liable to see through to a new level of understanding and to more efficiently apply new knowledge when generalizing from the specifics of real projects analogous to those in which the learner will find himself. Thus, in one form or another, experiential educational techniques will be used to highlight understanding. Most obviously, this will call for a mixture of vicarious contact with reality, through case studies and actual

contact with reality through field work. Case studies in the classroom will serve to illustrate a much wider variety of site conditions than is practical to introduce through field activity but, in practice, the intent is to alternate exposure to ensure that the meaning of each type of learning contributes to the other to form a whole. Our way to help this process of emotional and intellectual integration will be to have field work take place at the actual sites from which cases used in the classroom have been extracted.

However, case studies in the classroom, supported by field experience, is not the only kind of experience judged important to attainment of the goal of a clear understanding of the managerial role in rural development enterprises. At least two other components of the training experience are thought important and will be built in to the experiment short course (time yet undecided) being worked out, namely:

- a. observation of and interaction with "the art of management" as practiced in complex, successful enterprises which may or may not be located in the Third World, to the end of establishing an appreciation of management as a quality in the organization of human endeavor which can be understood and felt even though its essence may at times defy precise definition; and,
- b. contact with the totality of the rural environment in an inspirational way...in a way which attracts to rather than causes rejection of life in the country. This phase of experiential learning is concerned to help overcome two obstacles to the acceleration of rural development everywhere, namely--one, is the difficulty of drawing educated, intelligent and sensitive people into rural areas with a commitment to stay for enough years to make an impact--two, is the breakdown of family life or the failure to make life sufficiently satisfying so that the man, the woman and their children make light of their deprivation and take joy out of the poetry and endless creative opportunity for them all provided by nature and aspiring mankind.