AGRARIAN REFORM IN EL SALVADOR

PROCESS AND PROGRESS

by

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THE BACKGROUND OF AGRARIAN REFORM

For tiny El Salvador, with 549 people for each of its 8,260 square miles (a greater population density than that of India), land has an importance beyond that known in the United States. Wealth, income and occasionally survival have traditionally been tied to land and access to it.

After a peasant uprising in 1932, (which was quickly and violently quelled), the government began some initial efforts at land reform. Until recently, the majority of these efforts have been based on voluntary sales of unwanted land to the government.

In 1965, minimum wage legislation was enacted in an attempt to abolish the _colono_ system under which families worked on a _hacienda_ for the right to live and garden there. Landlords, who had found it advantageous to maintain many _colono_ families on their estates, evicted all _colonos_ in excess of their permanent labor needs. The evicted _colonos_ joined the landless poor and lived around the estates in the rural areas or moved to the cities where job opportunities were also scarce. A United Nations study reported that the number of people without any access to the land increased from 12 percent to 40 percent of the rural population between 1960 and 1975.

When reform-minded officers seized power from General Carlos Humberto Romero on October 15, 1979, thus ending 50 years of military rule, they faced an inequality in land tenure that was among the worst in the world. Ownership of land was so badly skewed that six families owned more land than 133,000 small farm families. They also faced the highest ratio of landless families to total population in Latin America. Rental was the dominant form of land tenure.

While the land reform will undoubtedly correct the disparities in income for some, others will remain unaffected. Largely untouched will be those landless peasants who currently work only during peak seasons. Fifty percent of them are estimated to be unemployed for more than eight months out of the year. Their hopes rest largely on development of light industries, agroindustry and other non-farm sources of employment. El Salvador does not have enough land to support its populace at other than subsistence levels on agriculture alone.

This report examines El Salvador's agrarian reform program. The report is intended to inform the reader about the process and progress of the reform. It is not an evaluation, nor does it present recommendations.

EL SALVADOR'S AGRARIAN REFORM

According to the 1971 Agricultural Census, El Salvador has 2,098,000 hectares of land within its national borders. There were 271,000 farm units containing 1,451,894 hectares of "land in farms", a census term for all land within the boundaries of farms including arable land, pastures, woodlands and buildings.

Agriculture in El Salvador has two principal sub-sectors:

1. Export crops (coffee, cotton and sugar cane) are planted on approximately 20 percent of the land in farms and,

2. Basic grains (corn, beans, rice and sorghum) occupy about 31 percent. The remaining agricultural lands are in pasture, forests, minor crops or idle. (See Table I).

TABLE I

Use of Agricultural Land in El Salvador

COMODITIES	Hectares 1/	Percent
Basic Grains:		
Corn, beans, rice, sorghum	455,000	31
Export Crops:		
Coffee, cotton, sugar cane	285,000	20
Minor Crops	40,000	3
Pasture Lands	410,000	28
Forest Lands	260,000	18
Total in Agriculture	1,450,000 ha.	100%

1/ Rounded of the nearest 1,000 hectares.
Source: MAG/DGEA, Anuario de Estadisticas Agropecuarias, 1983.

Agriculture directly employs 45 percent of the economically active labor force, and agricultural exports generate 65 percent of the country's foreign exchange. It is the agricultural sector which is most directly affected by the agrarian reform.

Agrarian reform, as envisioned by the GOES, has three goals: (1) greater income equity, (2) expanded employment opportunities in the rural sector and (3) increased and diversified agricultural production. Redistribution of the land and creation of viable, productive agricultural cooperatives and owner-operated farms are the objectives of the current reform.

Decree 154 (March 5, 1980) initiated the agrarian reform. Decree 207 extended the reform based on the principle that land should belong to those who work it and offers land ownership to former renters and sharecroppers. In addition to land tenure changes, complementary reform decrees nationalized the banking system and the export marketing organizations for coffee and sugar. The various decrees are intended to assure:

- Compensation for the former owner;
- Payment by the new owners to amortize government debts incurred in compensating former owners;
  The rights of individuals and cooperatives to private property.

There are three phases of the Salvadoran agrarian reform. The phases differ in types of properties and individuals affected by each, and each phase is implemented in a different way and is at a different stage of completion. The three phases potentially affect over 33 percent of the land in farms[1/] and 50 percent of the rural poor population[2/]. The agrarian reform faces financial, institutional and political challenges. It is being conducted in the midst of continuing disruptive violence. Its success in terms of increased income equity, and employment opportunities cannot be objectively evaluated until the reform is completed and the incentives of ownership have had a chance to take hold.

PHASE I

Phase I of El Salvador's agrarian reform began on March 6, 1980, when the GOES began expropriating the properties subject to Decree 153, the Basic Law of Agrarian Reform, which states. "Land affected by the present law is understood to be any property within the national territory belonging to one or more individuals, estates, or associations exceeding one hundred hectares for land classifications I, II, III and IV; and one hundred fifty hectares for land classifications V, VI and VII[3/]".

1/ Assumes 1,451,894 ha. of land in farms (1971 Ag. Census)
2/ Assumes 2,202,700 as the rural poor population (USAID estimate based on Ministry of Planning data, 1980).
3/ Land classifications (USDA Soil Conservation Service) are based on soil and topographic characteristics which affect the productivity and profitability of agronomic crops. Class I land is the most desirable for crop production.

The property affected by the decree also included all livestock, machinery and equipment permanently located on the expropriated property, as well as fixed properties which constituted industrial, agricultural and livestock complexes, i.e. sugar mills, coffee processing plants, slaughter houses, etc. In addition, holdings below the limit could be affected if any one of the following conditions were not met: (1) land must be worked directly by its owners[4/]; (2) minimum productivity levels must be maintained, (3) renewable natural resources must be managed, conserved and protected; and (4) labor and social security laws must be complied with. The reform did not apply to land or property belonging to duly registered agricultural cooperatives and peasant community organizations. A freeze was placed on land sales of affected properties, and owners were instructed to maintain their machinery and livestock herds.

Decree 154 implemented the reform but stipulated that only the property of persons owning more than 500 hectares be expropriated. At the time, this stipulation delineated the major procedural difference between Phase I and Phase II which applied to land-holdings between 100 and 500 hectares in size but which was not implemented. Further decrees have since redefined the parameters and procedures associated with Phase II.

4/ This condition became the basis for Decree 207 which authorized Phase III.

During Phase I, almost 300 landholders were identified as owning single or multiple properties exceeding the limit of 500 hectares total. Each property belonging to one of these owners was expropriated. There has been much confusion over the exact number of properties expropriated in the reform of March 1980.

This confusion stems from several sources, not the least of which was the rapidity with which properties were expropriated in an attempt to prevent decapitalization and counterreform efforts by affected owners. Adding to the confusion is the problem of defining exactly what constitutes a "property". There may be several co-owners; subdivision of land (dismemberment) may have taken place; the property may consist of different lots (portions) in different places; or the property may include land as well as agroindustrial complexes, inventories, movable goods and livestock. When there were several co-owners, separate acts of expropriation were recorded, adding to the difficulty of providing a simple number of properties affected.

The agrarian reform process is continuing, and decisions on expropriations have been changed or are still being reviewed because of technical or legal factors or because of claims by former owners. Finally, the conflict in some regions makes an accurate and consistent accounting of what was expropriated difficult.

As of June 30, 1984, the most exhaustive inventory indicates that 470 properties were acquired through expropriation or sale during Phase I of the agrarian reform. The total area represented by these properties is 220,000 hectares (15 percent of the land in farms). In addition, 112 properties had been acquired under pre-1980 reforms. Of these, 48 have been or are being transferred to Phase III of the reform. The remainder are organized as "traditional" cooperatives or are farmed individually by pre-1980 reform beneficiaries.

From the 470 properties acquired since 1980, 314 cooperatives have been organized. Because there is not a one to one correspondence between the number of properties and the number of cooperatives (or "productive units") more confusion has arisen. Many of the same factors as mentioned above explain the problem of determining the number of cooperatives at any given moment. In many cases, a cooperative may include several properties or portions of several properties. In some cases, the converse may occur when one property (alone or with portions of other properties) gives rise to several cooperatives. Sometimes different components of the same property are adjudicated in different ways with the land given to a cooperative, the sugar mill given to INAZUCAR (the government sugar processing and marketing organuization) and the forest lands turned over to ISREN (the natural resource institute).

It is also difficult to obtain reliable information about the cooperatives located in the conflictive zones. As of November 1984, 36 cooperatives were reported abandoned or worked only intermitantly due to violence, but this number changes with the changing tides of the conflict

The beneficiaries of Phase I are the estimated 188,154[5/] individuals who had previously been associated with the expropriated properties as resident laborers (colonos), small renters or sharecroppers (eight percent of the rural poor population). These former tenants were organized into production cooperatives (with elected leaders) eligible to receive title to the reform land and properties.

The Role of the Salvadoran Institute of Agrarian Transformation (ISTA)

ISTA is the Phase I agrarian reform implementing authority in El Salvador. In fulfilling the goals of the agrarian reform ISTA has four major roles: (1) land acquisition, (2) temporary co-management until cooperatives become organized and capable of self-management, (3) land adjudication and (4) coordination of inputs and technical assistance provided by other government organizations.

5/ Assumes six persons per rural household.

During the Phase I expropriations, ISTA officials notified (either in person or by public notice) the owners identified as holding land in excess of 500 hectares that their land was to be acquired. ISTA officials took physical possession of these properties with the support of the Armed Forces and expropriated those over 500 hectares.

For those properties acquired by ISTA, a title was prepared, and the property was transferred to ISTA. ISTA holds title to the properties until the titles are transferred to the eligible beneficiary cooperatives and communal associations.

ISTA is also responsible for supervising the care, management and productivity of properties acquired by the GOES in earlier reforms and through voluntary sales. For purposes of credit and technical assistance delivery (as well as some statistical reporting), the GOES often refers to a consolidated reform sector which includes the Phase I reform sector and the 112 properties acquired before Decree 153 was implemented (sometimes referred to as Decree 842 properties).

Reserve Rights

The 100 and 150 hectare limits (applied to Class I-IV and Class V-VII land respectively) constitute the former owner's "reserve right". The reserve right entitles the owner to retain a portion of the land to continue farm operations. If, at the time of acquisition, the GOES finds the owner has maintained or increased productivity or otherwise improved the property, the owner's reserve right may be increased by 20 percent, a move intended to discourage decapitalization and reward investment.

Owners had 12 months from the date of expropriation to file a claim specifying which land and assets were to be included in the reserve right. The owner was obligated not to claim land or assets which would debase the remaining land's potential as a producing unit. Reserve right claims were filed with ISTA which has final authority to arbitrate and grant reserve rights.

Former owners had filed 271 reserve right claims by November 1984. One hundred, fifty-six (156) claims, covering 14,000 hectares, have been granted. One hundred, six (106) claims have been renounced by former owners, and nine claims are being negotiated and processed.

Compensation

Decree 153 provides for compensation to be paid to the former owners of properties acquired by ISTA. Once ISTA has possession of the land, the amount of compensation due the former owner and the method of payment are determined.

The former owner's compensation was to be the simple average of the property's declared value on the owner's 1976 and 1977 tax declarations. For various reasons, compensation has not been as simple as envisioned. Tax declarations have been missing, and in some cases, altered. The strategic behavior of owners in 1976-77 led some to undervalue their property to avoid taxes. Other owners overvalued their property as the basis of bank loans or because they anticipated the reform and its compensation scheme based on declared values.

Capital improvements made after 1977 and adjustments for reserve rights are also considered when determining the final compensation amount. Verifying and valuing the capital improvements and determining the reserve rights have delayed compensation to former owners. Simply locating and certifying the necessary documents for compensation is an arduous task.

When tax declarations or other documents are not available, the former owner declares a value which is then approved by ISTA or rejected with a counteroffer. Total Phase I compensation is expected to exceed $280 million in cash and bonds. As of November 1984, 58 percent of this ($161 million) has been paid out for 256 properties.

Method of Payment

The method of compensation payment (cash and/or agrarian reform bonds) depends upon the size and type of property expropriated. All Phase I lands (and Phase II land offered for sale and subsequently purchased under Phase I) were paid for with agrarian reform bonds only. Livestock and machinery were paid for with 25 percent cash and 75 percent bonds. As of November 1984, $9,377,000 have been paid in cash.

Agrarian reform bonds are issued in three series depending upon the type and utilization of the property they compensate. Series A Preferential Bonds (five year-maturity) are issued for the portion of livestock and machinery not compensated for in cash. Series B bonds (20 year-maturity) are issued for land and fixed capital to efficient owner/operators; Series B bonds (25 year-maturity) to less efficient operators and Series C bonds (30 year-maturity) to owners of underutilized, rented or abandoned properties).

The agrarian reform bonds pay 6 or 7 percent interest and the interest and capital represented by them are tax exempt. Decree 220 lists various uses of the agrarian reform bonds which are authorized in order to enhance their acceptability.

1. Acceptance at 90 percent of the nominal value for payment of custom duties or other direct taxes.
2. Acceptance of mature coupons (i.e. interest payments) at their nominal value for all kinds of taxes.
3. Acceptance at their nominal value for inheritance taxes, gift taxes, or as bail.
4. Acceptance as a percentage of guarantees for financing by national financial institutions of industrial, agroindustrial, agrochemical or rural housing activities.

As of November 1984, $151,467,000 in bonds have been issued and a small but growing market for the bonds is developing.

Titling and Debt Repayment

Once the former owner's reserve rights are settled and compensation has been paid, the cooperative's agrarian debt is established. The agrarian debt for each cooperative equals the compensation paid the former owner (subject to any pre-reform emcumbrances). Each cooperative is expected to retire the agrarian reform debt on its property. The debt bears interest charges of 9.5 percent per year, and repayment is spread over 20 to 30 years depending on the type of bonds issued to the former owner.

Equating the cooperative's debt with the compensation paid to the former owner has led to some problems. Because the former owner's compensation is reached by negotiating from declared values, the final compensation amount (and thus the cooperative's agrarian debt) may or may not bear a relationship to the productive capacity of the land or the ability of the cooperative to eventually repay its debt.

During 1984, an analysis of the debt structure of the cooperatives was conducted by A.I.D. consultants 6/. They found the debt faced by the cooperatives consisted of three components: (1) the agrarian debt incurred for the land and other expropriated assets, (2) the "ISTA-BFA Cartera" which was emergency production credits loaned to the cooperatives in

6/ "Analysis of the Agrarian Debt of Phase I Agrarian Reform Cooperatives in El Salvador", Robert R. Nathan Associates, Inc., October 1984.

1980, and (3) accumulated production and investment loans which have been "rolled-over" since 1980. The total debt (principal and interest) faced by the cooperatives was estimated to be $800 million of which the agrarian debt accounts for 87.4 percent; four percent for the "ISTA-BFA Cartera"; and the remaining 8.6 percent in accumulated loans. The consultants concluded that the total annual income of almost 75 percent of the cooperatives is barely sufficient to meet the service payments on their current bank debt (production and investment loans), and nearly 95 percent do not have, as of November 1984, the financial capacity to cope with the total annual debt service payments. Alternatives as to how to deal with the unmanageable portion of the cooperatives'debt are being studied by the GOES[7/]. ISTA may administratively change the repayment terms (interest rate and repayment period) but is restricted by law from disassociating the amount of debt from the amount of compensation.

After a cooperative's debt has been established, final negotiations between the cooperative's board of directors and ISTA are completed, and the land transfer title is executed. Fifty-seven Phase I cooperatives have received titles and have made at least some payments on their agrarian reform debt.

7/ ISTA may grant grace periods of up to three years on the first repayment of the agrarian debt. However, the grace period for most cooperatives will expire in 1985, and they will have to begin making agrarian debt payments.

Legal and procedural complexities of the agrarian reform have limited the number of titles issued, but many cooperatives are making agrarian reform debt payments irrespective of their status in the titling process.

Table II summarizes some of the important facets of Phase I's progress as of November 1984.

TABLE II

Status of Phase I Progress

PHASE I	As of 3/30/82	As of 12/25/83	As of 10/25/84
Total No. of Properties Affected[1]	426	426	472
Estimated Direct Benef.	34,728	31,359	31,359
Total Benef.[2]	08,368	198,154	198,154
Land Area Affected (Acres)	554,310	539,400	[illegible]
Properties Compensated	90	03	156
Total Compensation Paid (U.S. Dollars)	5,128,774	125,878,132	160,803,696
- Compensation paid in cash	5,127,454	9,749,572	,377,056
- Compensation paid in bonds	50,001,320	116,128,560	151,466,640
Titles Issued to Coops.	4	41	57

1/ Does not include the 112 pre-reform held by ISTA.
2/ Assumes six persons per rural household.

Income derived from each cooperative's production and sales is to be used for the following purposes, in order of priority:

1. Payment of loans for production and operating expenses, including wages.
2. Payment on agrarian reform debt and other obligations to ISTA.
3. Development of social programs benefiting the members' community.
4. Development of other productive projects.

Any surplus is to be used to constitute a legal reserve or provide for educational, social and capital funds.

To insure that this priority is maintained, the reform has a built-in collection mechanism known as "restricted accounts." Most export crops are sold to government monopolies: sugar cane to INAZUCAR, cotton to COPAL and coffee to INCAFE. Basic grains are marketed through IRA, the National Food Supply Institute. These entities take in the farm produce; record the weight, measures and quality; and issue a voucher to the cooperative. The actual money is later credited to a restricted account at the bank which lends to that cooperative. The bank has a record of the cooperative's total debt and, in turn, pays the creditors according to the legal priorities.

Delays by the marketing organizations in selling the cooperatives' products and crediting their accounts, as well as delays in the required ISTA administrative approval for all withdrawals from restricted accounts, have increased the financial uncertainties faced by the cooperatives.

Production Credit

Production and intermediate credits are essential to the success of El Salvador's agrarian reform and the reform's cooperatives. At the same time that the reform was announced, the GOES also nationalized banking and some credit institutions.

In August 1980, the credit responsibilities for the Phase I production cooperatives were divided among ten commercial banks, three national credit institutions and the Agricultural Development Bank (BFA).

Additionally, approximately $30 million dollars in start-up operating funds (the "ISTA-BFA Cartera") was advanced to ISTA in 1980 by the Central Bank through the BFA. These funds were dispersed to the cooperatives, have not been repaid, and may eventually constitute a social cost of initiating the reform. However, ISTA has since cancelled its obligation to the BFA from the sale of reform bonds.

During the first year of the reform (1980-1981 crop year), 225 Phase I cooperatives received $105.6 million of credit, primarily loaned through the BFA. Credits to the Phase I cooperatives were divided into $92.2 million for production (short-term) credits and $12.8 million for investment (long-term) credits. After the 1980-1981 crop year, 141 of the Phase I cooperatives (55 percent) had delinquent accounts which totalled $13.4 million. Of this amount $10.3 million was rescheduled to the 1982-1983 crop year and $3.1 million was considered uncollectable.

During the 1980-1981 crop year, the BFA was the primary lender to the reformed sector, making $61.5 million ($48.7 million in production credits and $12.8 million in investment credits) available to 77 Phase I cooperatives. Seventy-five of the cooperatives assigned to the BFA had delinquent accounts totalling $8.1 million (all of which was rescheduled) for the 1982-1983 crop year.

In the 1981-1982 crop year, the reform sector (256 Phase I cooperatives) received $74 million ($71.9 million in production credits and $2.1 million in investment credit). At the end of that year, 153 of the Phase I cooperatives (60 percent) had delinquent accounts which totalled $16.4 million ($9.2 million uncollectable and $13.5 million rescheduled to 1982-1983).

The BFA loaned $15.3 million ($13.2 million in production credit and $2.1 million in investment credit) to 78 reform sector cooperatives in 1981-82. Fifty-two of the cooperatives had delinquent accounts totalling $4.1 million ($0.6 million uncollectable and $3.5 million rescheduled to 1982-1983).

In the 1982-1983 crop year the reform sector's programmed share of credit available to the agricultural sector was $127.3 million dollars of which $88.0 million was programmed for production credit, $14.8 million was programmed for investment credit and $23.8 million was programmed to cover the rescheduled delinquent accounts of the two previous years ($10.3 million from 1980-1981 and $13.5 million from 1981-1982). By June 30, 1982, approximately $100 million dollars (78 percent of the reform sector's $127.3 million programmed credits) had been approved to 251 Phase I cooperatives. Twenty-one million dollars of this amount was approved through the BFA.

The financial system's lending to the agrarian reform cooperatives in 1983-84 continued at levels similar to those of the 1982-83 crop year. Almost $24 million in delinquent accounts were rescheduled from previous years. Lending to the cooperatives totaled $100 million in the 1983-84 crop year with the BFA providing $20.5 million of that amount. Lending to the cooperatives during the 1984-85 crop year is projected to total $110 million. The BFA's portion of that amount will be $30.6 million. The BFA's share of total lending to the agrarian reform cooperatives has increased as its cooperative clientele increased from 100 cooperatives during the 1983-84 crop year to 129 a year later.

In late 1984, the Salvadoran Central Reserve Bank provided $18.5 million in a refinancing line for overdue agricultural debts accumulated by Phase I cooperatives since the beginning of the agrarian reform. The terms of the credit line permit banks to refinance outstanding debt for eight years at six percent interest. e terms of the line permit banks to refinance debt for eight years at six percent interest.

Technical Assistance

A national organization of reform cooperatives, the Federacion Salvadorena de Cooperativas de la Reforma Agraria (FESACORA) has been formed to represent the general interests of the cooperatives. FESACORA is investigating several alternatives for providing increased technical and financial assistance to the Phase I cooperatives. Its zonal organizations, Consejo de Dirigentes Zonales (CODIZO), offer grassroots training, joint purchasing opportunities and other assistance to the cooperatives.

The Ministry of Agriculture has recently undergone a reorganization to more effectively provide research and extension services to cooperatives.

The National Center for Agricultural Technology (CENTA) is the research and extension branch of the Ministry of Agriculture. In additional to responsibility for the national agricultural research agenda, CENTA extension agents provide on-farm technical assistance to all sectors of Salvadoran agriculture with special emphasis on reform beneficiaries.

The National Center of Agricultural Training (CENCAP), part of the Ministry of Agriculture's educational services, was founded in 1976 and is training both technical assistance agents and cooperatives members. There are eight regional training centers either operating or under construction. CENCAP and the extension components of other MAG divisions also offer on-farm courses for technicians, promoters, accountants and farmers.

Phase I Production

Throughout the Salvadoran agrarian reform emphasis has been placed on maintaining agricultural production. The incomes of the Phase I beneficiaries, the agricultural export income of the nation and, to a large extent, the success of the agrarian reform depend upon the ability of the Phase I farms to maintain production even during the disruptive process of changing ownership and management. However, several factors complicate attempts to measure Phase I production progress, and static indicators fail to reflect the dynamic nature of El Salvador's agrarian reform. Phase I has evolved during its implementation, and its procedures and parameters have become less distinct as the plan has become a reality.

It is difficult to measure precisely how well the Phase I farms are producing because comparative, time-series data are hard to develop and analyze, especially now that it is necessary to distinguish between the reform and non-reform sectors. Definitional changes also impair comparability. With technical assistance from AID, the GOES is improving its capability to monitor and measure agrarian reform sector progress and production.

Numerous Phase I farms sit squarely in areas of military/guerrilla combat, especially in the Departments of La Union, San Miguel, Usulutan, San Vicente, La Paz, Morazon, Chalatenango and Cuscatlan. The result is that upwards of 50 farms have been abandoned at least temporarily over the years and many have not returned to operations as cooperatives. As of November 1984, ISTA reported 18 completely abandoned Phase I farms.

In addition to the 18 farms, the Office of Planning and Evalution for the Agrarian Reform (PERA) estimates that another 37 cooperatives are in areas through which the military and the guerrillas conduct operations. Any of these may have to be abandoned at any moment. An estimate of the value of crops lost on the 18 abandoned farms is close to $2.7 million (2.5 colones = $1.00 U.S.). The crop losses represent a substantial proportion of the value of reformed sector production: 7.8 percent of the sorghum, 7.3 percent of the rice, 5.2 percent of the corn and 5.1 percent of the cotton, plus smaller losses in sugar cane and beans.

Export crops like cotton, coffee and sugar cane have been hard hit. Cooperative members, as well as private producers, have been warned by the guerrillas not to plant export crops or have been charged "war taxes" in cash or produce for areas planted. Equipment has been destroyed and workers threatened, kidnapped and killed.

Cotton is especially susceptible because it needs timely applications of pesticides applied by light planes. Spray planes are easy targets because they must fly low and slowly. Thirteen crop dusting planes were shot down in 1982, and although the Armed Forces have emphasized security around the cooperatives during critical periods in the agricultural crop cycle, losses continue at disruptively high levels. The extent of the reduction in cotton production, as well as other export crops, due to threats and violence is difficult to measure and adds to the economic uncertainty faced by all agricultural producers in El Salvador, including reform beneficiaries.

In the case of sugar cane, the fields of drying cane are easily destroyed by fire. To deal with this, harvests are begun earlier than usual. When cut early, the cane is less dry; but the sugar content is lower, reducing production. Despite these problems, progress is being made, and the Phase I farms are continuing to produce significant amounts of basic grains and export crops.

Table III shows the total number of hectares planted by commodity on the Phase I cooperatives during the 1980-81 through 1983-84 crop years.

TABLE III

Total Hectares Planted by Commodity on Phase I
Reform Sector Cooperatives
(1980/81 through 1983/84 Crop Years)

COMMODITY	1980/81	1981/82	1982/83	1983/84	Percent Change (80-83)
Basic Grains					
Corn	15,200	16,000	8,900	6,800	-54.6
Beans	5,300	4,200	2,600	2,300	-54.0
Rice	3,300	4,100	3,000	2,600	-13.3
Sorghum	5,200	3,000	1,700	1,300	-74.0
Export Crops					
Coffee	21,800	19,000	19,300	18,900	-14.1
Cotton	19,600	19,100	16,200	13,600	-32.0
Sugar	10,600	11,000	12,800	13,900	26.3
TOTAL	81,000	76,400	64,500	59,400	-26.6

Source: MAG/DGEA

The Phase I reform sector cropped 21,600 fewer hectares (a 26.6 percent decline) from the 1980-81 crop year to the 1983-84 crop year. This decline occurred despite an increase of hectares planted on the cooperatives located in the two agricultural regions of western El Salvador. Offsetting that increase was a comparatively greater decline of hectares planted on the cooperatives in the less secure eastern regions of the country.

Other factors contributing to the decrease were low world prices, a shortage of farm equipment, a lack of timely credit and the decisions made by some cooperatives to change their crop/enterprise mix.

Table IV shows comparative yields (tons per hectare) by commodity between the nation as a whole and the Phase I reform sector cooperatives during the 1980-81 to 1983-84 crop years. The Phase I reform sector cooperatives' average yields compare very favorably with the national average yields. Average yields can reflect many variables: management, soil fertility, cultural practices, availability of timely credit and the vagaries of weather. There is little doubt that the credit and technical assistance priorities given to the Phase I cooperatives have helped them to maintain their average yields.

While hectarage planted and average yields are important determinants of the amount of total product eventually harvested, they alone are not sufficient to demonstrate the importance of the Phase I reform sector cooperatives' contribution to El Salvador's agricultural production. Table V shows agricultural production for basic grains and export crops in El Salvador for the crop years from 1980-81 through 1983-84.. The table shows El Salvador's national production

TABLE IV

Phase I Reform Sector/National Agricultural Average Yields in Metric Tons Per Hectare By Commodity
(1980/1981 through 1983/84 Crop Years) Source: MAG

	1980/1981 Crop Year		1981/1982 Crop Year		1982/1983 Crop Year		1983/1984 Crop Year	
COM-MODITY	National (MT TONS/ HECTARE)	Reform Sector (MT TONS/ HECTARE)	National (MT TONS/ HECTARE)	Reform Sector (MT TONS/ HECTARE)	National (MT TONS/ HECTARE)	Reform Sector (MT TONS/ HECTARE)	National MT TONS/ HECTARE)	Reform Sector (MT TONS/ HECTARE)
Grains								
Corn	1.79	2.92	1.79	2.27	1.72	1.96	1.81	2.83
Beans	.88	.75	.76	.98	.68	.77	.74	.95
Rice	3 57	3.09	3.59	3.33	2.84	2.35	3.39	3.39
Sorghum	1.16	1.77	1.16	1.38	.88	1.02	1.10	1.96
Ex/Crop								
Coffee	1.01	.84	.85	1.05	.74	1.24	.64	.89
Cotton	1.99	2.25	2.15	2.03	2.06	2.52	2.08	2.27
Sugar	3.27	3.65	3.51	3.63	3.80	3.32	3.47	3.77

Note: The crop year runs from April 1 through March 31 of the following calendar year

TABLE V

Phase I Reform Sector/National Agricultural Production In Metric Tons By Commodity
(1980/1981 through 1983-84 Crop Years)   Source: MAC

	1980/1981 Crop Year			1981/1982 Crop Year			1982/1983 Crop Year			1983/1984 Crop Year		
COM-MODITY	National (MT TONS)	Reform Sector (MT TONS)	Reform Sector %	National (MT TONS)	Reform Sector (MT TONS)	Reform Sector %	National (MT TONS)	Reform Sector (MT TONS)	Reform Sector %	National (MT TONS)	Reform Sector (MT TONS)	Reform Sector %
Grains												
Corn	520,364	44,455	9	494,000	36,364	7	409,091	17,409	4	437,864	19,273	4
Beans	45,955	3,955	9	37,818	4,136	11	37,727	2,000	5	14,727	2,182	5
Rice	60,000	10,182	17	49,540	13,636	28	31,818	7,045	22	42,727	8,818	21
Sorghum	138,227	9,227	7	134,091	4,136	3	104,545	1,727	2	121,682	2,545	2
Ex/Crop												
Coffee	166,091	18,364	10	157,955	20,000	13	137,409	23,955	17	118,182	16,818	14
Cotton	115,545	44,136	38	112,000	38,818	35	103,182	40,864	40	76,364	30,909	40
Sugar	90,136	38,682	43	96,227	39,955	42	119,545	42,455	36	141,773	52,364	37

and the portion of national production attributable to the Phase I reform sector. The importance of the Phase I reform sector's contribution to the supply of basic grains and export crops (14 percent of the coffee, 40 percent of the cotton and 37 percent of the sugar cane in the 1983-84 crop year) is evident. Production of all agricultural commodities except sugar cane has decreased in both the reform sector and for the nation as a whole. This trend is particularly true for the basic grains where national production has decreased 16 percent for corn, 9 percent for beans, 29 percent for rice and 12 percent for sorghum.

PHASE II

Phase II of El Salvador's agrarian reform program is authorized in Decree 154, but Phase II was not implemented by the GOES at the same time as Phases I or III. The expropriation of Phase II farms (approximately five times the number of Phase I farms) would have required administrative, financial and personnel requirements beyond those available to GOES agencies. According to Decree 153, compensation for expropriated Phase II properties would have been paid 25 percent in cash and 75 percent in agrarian bonds. Livestock and improvements would be paid 100 percent in cash. At an estimated value of $1,500 dollars (U.S.) per hectare, this would have necessitated a large cash outlay by the GOES at a time when it had a large deficit, and cash requirements for production and investment credits to Phase I and Phase III (Decree 207) farms were immediate.

The manpower requirements of ISTA to expropriate the more than 1800 Phase II farms, organize the beneficiaries into cooperatives and co-manage those cooperatives (as well as existing Phase I cooperatives) were beyond ISTA's capabilities. All GOES agencies providing technical services, crucial to the success of the reform sector farms, were strained meeting the needs of Phase I and Phase III farms.

The implementation of Phase II was clarified somewhat by passage of the new Salvadoran Constituton in December 1983, but its full impact is as yet unknown. Previously, according to Decree 154, the properties affected by Phase II were to have been those belonging to owners who held from 100 to 500 hectares of land. However, the size criteria of properties affected was changed by Article 105 of the Constitution to permit individuals (corporate or private) to own up to 245 hectares each.

The potential impact of Phase II has been dampened somewhat by the transfer of Phase II lands under Phases I and III. Approximately 11,000 hectares of potential Phase II land were purchased by ISTA through voluntary sales during Phase I. Almost 13,000 hectares of potential Phase II lands have been claimed by beneficiaries of Phase III under Decree 207. Using data contained within the 1971 Agricultural Census, it has been estimated that under the new size criteria authorized in the Constitution, approximately 21,000 hectares remain to be distributed under Phase II.

Despite the clarifications made by Article 105, the mechanism for implementing Phase II is as yet poorly defined, but it is envisioned that it will rely on a free market concept (with some limitations). Each individual owning more than 245 hectares will have three years (until December 1986) to dispose of their excess or face expropriation without compensation. Individuals are free to dispose of their property in the market and manner in which they see fit, although some restrictions on sales to relatives will be imposed and some mechanism for insuring access to the land by campesinos will likely be developed. It is expected that after a new Constituent Assembly is elected in 1985, the issues needed to clarify and implement Phase II will be debated and defined.

The number of potential beneficiaries of Phase II depends on the quantity of land which is eventually redistributed. Assuming 1.6 hectares per direct beneficiary (the average size of Phase III holdings), there are estimates of 13,125 direct beneficiaries. The farms affected by Phase II are distributed fairly evenly throughout the four agricultural regions of El Salvador. The crops they produce include basic grains and export sector commodities. Export sector production could be particularly affected by Phase II since it is estimated that 13.5 percent of the sugar cane and 30 percent of the coffee and cotton hectares in production are on potentially affected Phase II lands.

PHASE III

Decree 207, enacted in April 1980, by the Government of El Salvador established Phase III of El Salvador's agrarian reform[8/].

Phase III allows farmers who had access to land on May 6, 1980 to file application for preferential rights on up to seven hectares (17.5 acres) of the land they rented or sharecropped and thus begin the process of establishing secure ownership rights to the land[9/]. This is an important difference between Decree 207 (which is based on the type of tenure arrangement between landlord and tenant) and Decree 153 (which is based on the total number of hectares held by a single owner). Phase III defines rental (and lease/purchase) agreements broadly to cover: (1) written and verbal agreements, (2) payments in cash, crop or service and (3) arrangements

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8/ Implementation actually began in March 1981, with the commencement of activities by the National Financial Institute for Agricultural Lands, FINATA, the Decree 207 implementing entity.
9/ Eventual title to the land obligates the new owner to repay the Government the determined value of the property.

whereby the renter plants a different parcel each year rather than the same parcel. The application period for Phase III was extended three times and expired in June 1984.

Phase III also frees eligible beneficiaries from further rent payment to their former landlords, greatly restricting and modifying the practice of indirect land exploitation in El Salvador (as required by provisions of the Basic Law of Agrarian Reform in Decree 153). If the tenants do continue to pay rent and obtain a receipt, the amount paid is to be deducted from their future amortization payments, as well as from the compensation paid to the former owners.

Granting ownership rights to the former tenant and freeing the former tenant from the burden of paying the landlord (in cash, crop or labor) are intended to initiate a chain of desirable events. By making a modest, long-term amortization payment to the government (to cover the cost of the land) instead of rent to the landlord, it is intended that family income will increase[10/]. Increased income will be invested in improved agricultural inputs, leading to increased yields (especially of basic grains which are the primary crops grown on rented lands) and better family nutrition. Diversification

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10/ Even in cases where rent was paid in labor, it is expected that access to the land and freedom from the obligation to spend time working for the landlord will make available opportunities for increased family income.

into export and cash crops such as fruits and vegetables, as well as soil conservation practices and permanent housing, are long-term potential benefits.

Decree 207 Properties and Beneficiaries

Because tenancy is found in many kinds and sizes of farms in El Salvador, it was difficult to determine the number of properties and persons potentially affected by Decree 207. Properties of any size which were indirectly exploited were subject to Decree 207.

There were discrepancies in estimates of the number of hectares potentially affected under Phase III. The most recent estimate is that 198,500 hectares (14 percent of the land in farms) could have been affected. This figure includes rented lands on properties subject to Phase II and land on some ISTA operated "traditional" cooperatives which have been broken up and parceled out under Phase III.

It was equally difficult to estimate the number of potential Decree 207 beneficiaries. Estimates ranged from 60,000 to 150,000 potential beneficiaries. PERA conducted an extensive survey of the country which estimated that Decree 207 could have created 117,000 potential beneficiaries. This is the most widely accepted figure for potential Phase III beneficiaries. Assuming the PERA estimate to be correct, approximately 55 percent of persons eligible under Decree 207 have applied for land.

There are several reasons why some renters may have not filed claims despite Decree 207's provisions: (1) to some farmers who have traditionally rented land, longstanding rental agreements represent an assurance of their access to the rented parcel and their opportunity to earn income from it; (2) some landlords have intimidated tenants or coerced them into not applying for their rented lands; (3) some tenants rent from friends, family members or their economic peers and feel obligated not to claim these parcels and (4) some potential beneficiaries are unaware of Phase III or live in insecure areas where implementation has been difficult.

Much of the land rented in El Salvador (and subject to Decree 207) is of poor quality and/or on steep, erosion prone hillsides. Despite this, these rental parcels produce more than 50 percent of the combined corn, beans and sorghum produced in El Salvador and constitute an important source of domestic foodstuff. The average size of parcels is estimated to be 1.6 hectares (3.9 acres).

Implementation of Decree 207

The Financiera Nacional de Tierras Agricolas (FINATA) is the implementing agency responsible for fulfilling the provisions of Decree 207. FINATA was established in December 1980, and it acquired the small staff, $4.0 million in cash assets and a $4.0 million bonding authority from COFINTA (a now obselete agency that had been charged with financing the purchase of land parcels). FINATA presently has 504 permanent and 300 temporary employees in 14 field offices throughout the country. Until June 1984, FINATA employees concentrated on locating potential beneficiaries, explaining the filing procedures and taking initial applications. Since the expiration of the filing period, FINATA has been reassigning personnel and resources to concentrate on completing the titling procedures.

As the implementing agency, FINATA is charged with: (1) promoting Phase III, (2) preparing renter claim application forms, (3) issuing provisional titles, (4) obtaining the affected land from the owner, (5) determining and paying former owner compensation, (6) verifying titles and preparing new deeds, and (7) establishing the amount of the former renter's agrarian debt and payment. Unlike ISTA, FINATA is not charged with co-management responsibilities or with providing technical services to new owners.

It is important to note that unlike Phase I which was initiated by GOES expropriation, no action takes place under Phase III until the renter initiates the claims procedure. This design feature, in an environmental of threat and violence, seriously impairs the "self implementing" aspect of Phase III originally envisioned. The preparation of application documents, carried out in the FINATA field offices, begins a multi-step procedure which leads to issuance of a definitive property title to the Phase III beneficiaries. (See Table VI). The first four steps of the procedure, conducted at the FINATA field office, lead to the issuance of a provisional title. The provisional title assures the former renter of the right to cultivate the land and reap full benefit of the harvest. The provisional title also provides the former renter with easier access to the BFA for production credit financing. By November 1984, a total of 79,137 applications had been filed.

TABLE VI

Steps in Implementing Decree 207 (Phase III)

Administrative Steps	The Process for the Tenant
1. Identify tenants who have the legal right to claim a particular parcel of land;	1. Application filed receipt issued.
2. Identify that parcel and prepare a legal description;	
3. Identify current owner;	
4. Determine the land's value;	
5. Negotiate agreements or adminstratively resolve any disputes;	
6. Record the action into the cadastral system;	
7. Register this transaction in the land registry records;	
8. Issue a provisional title;	2. Receive provisional title.
9. Publicize these provisional transactions to notify other who believe they have rights to the affected land, providing an opportunity to contest it;	
10. Open account through which the beneficiary will make amortization payments and pay applicable taxes;	3. Receive definitive title.
11. Establish records to compensate former land owners; and	
12. Issue bonds and make cash payments.	

Note: The provisional title may be issued before steps 4 through 7 are completed. However, before the definitive title may be issued, all the remaining steps must be done, including field inspections to complete the necessary verifications.

Source: AID, "Implementation of the Program", March 30, 1981.

Title and Debt Repayment

Once a provisional title has been issued, a set of actions, approvals, notifications and registrations are required to complete the titling process. This involves detailed searches of tax and registration documents, field visits to locate the parcel on the basis of aerial photographs, soil classifications to establish the purchase price and signing of official documents by the former renter and previous owner (if present). Adjoining owners and the former owner must also sign documents verifying the parcel's location. A separate document records soil classification and topographical information, and a socio-economic profile of the new owner is undertaken to provide the basis for individual credit plans. Legal procedures to compensate the former owner and determine the new owner's mortgage and annual payment complete the process.

Payments to amortize the new owner's mortgage which is equal to the former owner's compensation are to be made annually over a 30-year period in cash, or the land is subject to repossession. Allowances for the type of crop and time of harvest will be considered in setting the annual payment terms. The mortgage may be paid in full at any time.

To protect the intent of the reform, new owners are not allowed to indirectly exploit or sell the land for a period of 30 years, even if the mortgage has been satisfied. The land distributed under Phase III may be passed on through inheritance from the direct beneficiary but only to a single heir until the 30-year period has passed.

Compensation and Method of Payments

The law provides that former owners with holdings less than 100 hectares, will be compensated 50 percent in cash and 50 percent in agrarian bonds (30 year-maturity), a higher percentage in cash than allowed under Phase I. In the case of affected landlords with holdings greater than 100 hectares the compensation formula is 25 percent cash and 75 percent bonds. FINATA has also administratively denied some claims (disaffectations) because the affected owners would be destitute without their parcels. In these cases, FINATA tries to purchase and relocate to other properties legitimate claimants who have had their applications denied under the previously mentioned "widows and orphans rule".

Compensation to former owners of properties claimed under Phase III is determined by FINATA on the basis of the property value as claimed on the 1976-77 tax declaration. In the absence of a 1976-77 tax declaration, the former owner's compensation is determined by FINATA on the basis of the land's soil type and classification. By November 1984, 1,057 affected landlords had been compensated in the amount of $17,398,511.

Credit and Technical Assistance

. In order to achieve the goals of higher income and productivity, Phase III beneficiaries require adequate amounts of timely credit and access to technical services which allow them to utilize high yield varieties, diversify their production and manage their natural resources.

Pre-reform sources of production cash or credit for the small farmer (who may now be a Phase III beneficiary) were scarce. They included: (1) BFA small farmer programs, (2) income from off-farm sources, (3) in very few cases commercial bank credit for those who owned property acceptable as collateral, and (4) former landlords who sometimes provided production inputs or the credit to buy them.

While the credit relationship with the former owner (to the extent that it was ever very strong or extensive) is now severed and high unemployment limits off-farm incomes, the provisional titles make Phase III beneficiaries eligible for commercial bank credit (even though the bank cannot foreclose on the land) and expanded BFA small farmer programs. Approximately 12,000 Phase III beneficiaries are clients currently and receive BFA production credit. Undoubtedly, more production credit, as well as investment credit, will be necessary. Resources are being added to the BFA and commercial banks to improve their ability to service Phase III beneficiaries and other small farmers. Through an AID credit project, efforts are underway to improve the institutional capacity of the BFA to service its expanding clientele in all the reformed sector.

Technical assistance to the small farmer is important because of the generally low management skills which characterize many small, often part-time farmers and their relatively greater need to conserve their land's scarce natural resources. The technical assistance agencies in El Salvador do not have the resources necessary to service the Phase III beneficiaries who are widely dispersed, unorganized and, in many cases, illiterate. Traditional extension and technical assistance methods are being augmented with non-traditional methods in order to reach and service Phase III beneficiaries.

Evictions

One of the major problems surrounding Phase III has been the eviction of beneficiaries from parcels of land they are entitled to. There have been varying estimates as to the magnitude of the problem. A study by PERA indicates that as of August 1983, there had been 5,634 beneficiaries evicted. Unofficial estimates made by campesino labor organizations representing small farmers and rural workers tend to be much higher. The disparity in the estimated number of evictees is due largely to definitional differences.

The fact remains that evictions of actual and potential beneficiaries of the reform have occurred, often times accompanied by acts or threats of violence, and their effect on the process has been negative. Evictions are a serious form of opposition to the reform process and threaten its validity by undermining the credibility of the provisional title. Evictions also discouraged potential beneficiaries from making and/or continuing applications, fearing that they too could be evicted or denied access to land and be worse off than they might otherwise have been. To counteract the evictions and to reinforce Phase III credibility; FINATA, in cooperation with the Armed Forces, has initiated a program of returning evicted beneficiaries to their parcels. Under the program FINATA submits a list of evictees to a departmental or local military commander who then confronts the offending property owner and, if necessary, authorizes troops to accompany the evictee to his/her parcel and to insure that they are securely reinstalled on the property.

FINATA also conducted a radio publicity campaign describing the details of the program and encouraging evicted beneficiaries to make their cases known.

Legislative Developments Affecting Phase III Implementation

A set of decrees issued by the Salvadoran Constituent Assembly during the first weeks of its 1982 session confounded the implementation of Phase III of the reform. The confusion arose out of the Constituent Assembly's efforts to permit owners of land appropriate for the production of cotton or sugar cane to enter into land rental contracts without incurring the risk of a Phase III related expropriation11/. To accomplish this, the Assembly passed legislation submitted by the Provisional President that suspended new rentals of cotton and sugar cane lands for one crop cycle.

The intent of the drafters of the legislation, now known as Decree 6, was to encourage the production of cotton and sugar cane by minimizing the uncertainties and reducing the perceived risks relating to the rental of cotton and sugar cane land. The expansion of the suspension to include lands rented for basic grains and livestock was widely taken (both in El Salvador and the United States) to be a de facto repeal of Phase III even though Decree 6 protected the rights of all beneficiaries, current and potential.

The legislation's provisions guaranteeing the rights of actual and potential Phase III beneficiaries are quite explicit. Protected are: (1) those beneficiaries who have been issued a provisional title by FINATA; (2) those with pending title petitions initiated prior to May 18, 1982, and (3) those

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11/ Cotton and cane are produced on extensive holdings in El Salvador and those lands were not intended to come under the provisions of Phase III, which was designed to transfer small parcels to renters and sharecroppers.

potential beneficiaries enjoying tenancy on May 6, 1980, and qualifying as reform beneficiaries but who had not submitted a petition at the time the amending legislation was enacted.

Phase III Progress

Despite the problems associated with the complex task of implementing Phase III, progress continues to be made.

As of November 1984, 97,000 hectares have been claimed. There have been 64,000 direct beneficiaries. Assuming six persons per rural household, there are currently 384,000 total beneficiaries (17 percent of the rural poor population)12/. There have been 79,000 applications13/ filed and 64,000 provisional titles14/ granted (81 percent of those filed); and there have been 12,000 definitive titles issued to Phase III beneficiaries. One thousand former property owners have been compensated $18 million.

12/ Assumes 2,202,700 as the rural poor population.
13/ Phase III benef. may file more than one title application up the 7 hectares limit.
14/ More than one provisional title may be granted up to the limit of 7 hectares.

TABLE VI

Status of Phase III Progress

PHASE I	As of 3/30/82	As of 12/25/83	As of 10/25/84
Number of Direct Beneficiaries	28,123	60,733	63,663
Total Beneficiaries1/	168,738	364,398	381,978
Land Area Affected (Acres)	133,840	288,230	240,034
Title Petitions Filed	35,446	75,967	79,137
Provisional Titles Issued	27,215	55,287	64,341
Definitive Titles Issued	-0-	5,456	11,916
Property Owners Compensated	-0-	499	1,057
Compensation Paid (U.S. Dollars)	-0-	9,684,747	17,398,511

FINATA is committed to completing the titling process for all qualified claimants.

1/ Assumes six persons per rural household.

SUMMARY OF EL SALVADOR'S AGRARIAN REFORM PROGRAM

El Salvador's agrarian reform program is a dynamic process of social, ecomomic and land tenure changes. Each phase of the program is at a different stage, has met with different levels of success and faces different challenges.

Phase I has been initiated. Its success or failure will be determined by the ability of the cooperative farms it has engendered to function as independent, economically viable units contributing to the national income, generating additional rural income and employment, and leading the effort to diversify the country's agricultural base. Cooperative organization and training are being carried out, and technical assistance and credit agencies are establishing mechanisms to service the Phase I sector. It remains now to complete the task.

Phase II has been clarified, but implementation will require more specific legislation or implementing regulations. Consideration of alternative approaches to Phase II implementation have been initiated.

Phase III is still underway although the deadline for filing new applications has expired. In some respects implementing Phase III has been more difficult than Phase I. The problem of issuing titles to beneficiaries and providing them necessary credit and technical assistance still exist.

Agrarian reform in El Salvador is proceeding. It is being conducted in the midst of violence, and neither the promotors nor the participants in the reform are immune to the consequences of the strife.

The reform's goals are visionary but cannot be evaluated fairly until the mechanisms of the reform are in place and the economic incentives and responsibilities of land ownership have exercised themselves.

AGRARIAN REFORM IN EL SALVADOR

PROCESS AND PROGRESS

by

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USAID/El Salvador

February 1985

THE BACKGROUND OF AGRARIAN REFORM

For tiny El Salvador, with 549 people for each of its 8,260 square miles (a greater population density than that of India), land has an importance beyond that known in the United States. Wealth, income and occasionally survival have traditionally been tied to land and access to it.

After a peasant uprising in 1932, (which was quickly and violently quelled), the government began some initial efforts at land reform. Until recently, the majority of these efforts have been based on voluntary sales of unwanted land to the government.

In 1965, minimum wage legislation was enacted in an ttempt to abolish the colono system under which families ..orked on a hacienda for the right to live and garden there. Landlords, who had found it advantageous to maintain many colono families on their estates, evicted all colonos in excess of their permanent labor needs. The evicted colonos joined the landless poor and lived around the estates in the rural areas or moved to the cities where job opportunities were also scarce. A United Nations study reported that the number of people without any access to the land increased from 12 percent to 40 percent of the rural population between 1960 and 1975.

When reform-minded officers seized power from General Carlos Humberto Romero on October 15, 1979, thus ending 50 years of military rule, they faced an inequality in land tenure that was among the worst in the world. Ownership of land was so badly skewed that six families owned more land than 133,000 small farm families. They also faced the highest ratio of landless families to total population in Latin America. Rental was the dominant form of land tenure.

While the land reform will undoubtedly correct the disparities in income for some, others will remain unaffected. Largely untouched will be those landless peasants who currently work only during peak seasons. Fifty percent of them are estimated to be unemployed for more than eight months out of the year. Their hopes rest largely on development of light industries, agroindustry and other non-farm sources of employment. El Salvador does not have enough land to support its populace at other than subsistence levels on agriculture alone.

This report examines El Salvador's agrarian reform program. The report is intended to inform the reader about the process and progress of the reform. It is not an evaluation, nor does it present recommendations.

EL SALVADOR'S AGRARIAN REFORM

According to the 1971 Agricultural Census, El Salvador has 2,098,000 hectares of land within its national borders. There were 271,000 farm units containing 1,451,894 hectares of "land in farms", a census term for all land within the boundaries of farms including arable land, pastures, woodlands and buildings.

Agriculture in El Salvador has two principal sub-sectors:

1. Export crops (coffee, cotton and sugar cane) are planted on approximately 20 percent of the land in farms and,

2. Basic grains (corn, beans, rice and sorghum) occupy about 31 percent. The remaining agricultural lands are in pasture, forests, minor crops or idle. (See Table I).

TABLE I

Use of Agricultural Land in El Salvador

COMODITIES	Hectares 1/	Percent
Basic Grains:		
Corn, beans, rice, sorghum	455,000	31
Export Crops:		
Coffee, cotton, sugar cane	285,000	20
Minor Crops	40,000	3
Pasture Lands	410,000	28
Forest Lands	260,000	18
Total in Agriculture	1,450,000 ha.	100%

1/ Rounded of the nearest 1,000 hectares.
Source: MAG/DGEA, Anuario de Estadisticas Agropecuarias, 1983.

Agriculture directly employs 45 percent of the economically active labor force, and agricultural exports generate 65 percent of the country's foreign exchange. It is the agricultural sector which is most directly affected by the agrarian reform.

Agrarian reform, as envisioned by the GOES, has three goals: (1) greater income equity, (2) expanded employment opportunities in the rural sector and (3) increased and diversified agricultural production. Redistribution of the land and creation of viable, productive agricultural cooperatives and owner-operated farms are the objectives of the current reform.

Decree 154 (March 5, 1980) initiated the agrarian reform. Decree 207 extended the reform based on the principle that land should belong to those who work it and offers land ownership to former renters and sharecroppers. In addition to land tenure changes, complementary reform decrees nationalized the banking system and the export marketing organizations for coffee and sugar. The various decrees are intended to assure:

- Compensation for the former owner;
- Payment by the new owners to amortize government debts incurred in compensating former owners;
  The rights of individuals and cooperatives to private property.

There are three phases of the Salvadoran agrarian reform. The phases differ in types of properties and individuals affected by each, and each phase is implemented in a different way and is at a different stage of completion. The three phases potentially affect over 33 percent of the land in farms[1/] and 50 percent of the rural poor population[2/]. The agrarian reform faces financial, institutional and political challenges. It is being conducted in the midst of continuing disruptive violence. Its success in terms of increased income equity, and employment opportunities cannot be objectively evaluated until the reform is completed and the incentives of ownership have had a chance to take hold.

PHASE I

Phase I of El Salvador's agrarian reform began on March 6, 1980, when the GOES began expropriating the properties subject to Decree 153, the Basic Law of Agrarian Reform, which states. "Land affected by the present law is understood to be any property within the national territory belonging to one or more individuals, estates, or associations exceeding one hundred hectares for land classifications I, II, III and IV; and one hundred fifty hectares for land classifications V, VI and VII[3/]".

1/ Assumes 1,451,894 ha. of land in farms (1971 Ag. Census)
2/ Assumes 2,202,700 as the rural poor population (USAID estimate based on Ministry of Planning data, 1980).
3/ Land classifications (USDA Soil Conservation Service) are based on soil and topographic characteristics which affect the productivity and profitability of agronomic crops. Class I land is the most desirable for crop production.

The property affected by the decree also included all livestock, machinery and equipment permanently located on the expropriated property, as well as fixed properties which constituted industrial, agricultural and livestock complexes, i.e. sugar mills, coffee processing plants, slaughter houses, etc. In addition, holdings below the limit could be affected if any one of the following conditions were not met: (1) land must be worked directly by its owners[4/]; (2) minimum productivity levels must be maintained, (3) renewable natural resources must be managed, conserved and protected; and (4) labor and social security laws must be complied with. The reform did not apply to land or property belonging to duly registered agricultural cooperatives and peasant community organizations. A freeze was placed on land sales of affected properties, and owners were instructed to maintain their machinery and livestock herds.

Decree 154 implemented the reform but stipulated that only the property of persons owning more than 500 hectares be expropriated. At the time, this stipulation delineated the major procedural difference between Phase I and Phase II which applied to land-holdings between 100 and 500 hectares in size but which was not implemented. Further decrees have since redefined the parameters and procedures associated with Phase II.

4/ This condition became the basis for Decree 207 which authorized Phase III.

During Phase I, almost 300 landholders were identified as owning single or multiple properties exceeding the limit of 500 hectares total. Each property belonging to one of these owners was expropriated. There has been much confusion over the exact number of properties expropriated in the reform of March 1980.

This confusion stems from several sources, not the least of which was the rapidity with which properties were expropriated in an attempt to prevent decapitalization and counterreform efforts by affected owners. Adding to the confusion is the problem of defining exactly what constitutes a "property". There may be several co-owners; subdivision of land (dismemberment) may have taken place; the property may consist of different lots (portions) in different places; or the property may include land as well as agroindustrial complexes, inventories, movable goods and livestock. When there were several co-owners, separate acts of expropriation were recorded, adding to the difficulty of providing a simple number of properties affected.

The agrarian reform process is continuing, and decisions on expropriations have been changed or are still being reviewed because of technical or legal factors or because of claims by former owners. Finally, the conflict in some regions makes an accurate and consistent accounting of what was expropriated difficult.

As of June 30, 1984, the most exhaustive inventory indicates that 470 properties were acquired through expropriation or sale during Phase I of the agrarian reform. The total area represented by these properties is 220,000 hectares (15 percent of the land in farms). In addition, 112 properties had been acquired under pre-1980 reforms. Of these, 48 have been or are being transferred to Phase III of the reform. The remainder are organized as "traditional" cooperatives or are farmed individually by pre-1980 reform beneficiaries.

From the 470 properties acquired since 1980, 314 cooperatives have been organized. Because there is not a one to one correspondence between the number of properties and the number of cooperatives (or "productive units") more confusion has arisen. Many of the same factors as mentioned above explain the problem of determining the number of cooperatives at any given moment. In many cases, a cooperative may include several properties or portions of several properties. In some cases, the converse may occur when one property (alone or with portions of other properties) gives rise to several cooperatives. Sometimes different components of the same property are adjudicated in different ways with the land given to a cooperative, the sugar mill given to INAZUCAR (the government sugar processing and marketing organuization) and the forest lands turned over to ISREN (the natural resource institute).

It is also difficult to obtain reliable information about the cooperatives located in the conflictive zones. As of November 1984, 36 cooperatives were reported abandoned or worked only intermitantly due to violence, but this number changes with the changing tides of the conflict

The beneficiaries of Phase I are the estimated 188,154[5/] individuals who had previously been associated with the expropriated properties as resident laborers (colonos), small renters or sharecroppers (eight percent of the rural poor population). These former tenants were organized into production cooperatives (with elected leaders) eligible to receive title to the reform land and properties.

The Role of the Salvadoran Institute of Agrarian Transformation (ISTA)

ISTA is the Phase I agrarian reform implementing authority in El Salvador. In fulfilling the goals of the agrarian reform ISTA has four major roles: (1) land acquisition, (2) temporary co-management until cooperatives become organized and capable of self-management, (3) land adjudication and (4) coordination of inputs and technical assistance provided by other government organizations.

5/ Assumes six persons per rural household.

During the Phase I expropriations, ISTA officials notified (either in person or by public notice) the owners identified as holding land in excess of 500 hectares that their land was to be acquired. ISTA officials took physical possession of these properties with the support of the Armed Forces and expropriated those over 500 hectares.

For those properties acquired by ISTA, a title was prepared, and the property was transferred to ISTA. ISTA holds title to the properties until the titles are transferred to the eligible beneficiary cooperatives and communal associations.

ISTA is also responsible for supervising the care, management and productivity of properties acquired by the GOES in earlier reforms and through voluntary sales. For purposes of credit and technical assistance delivery (as well as some statistical reporting), the GOES often refers to a consolidated reform sector which includes the Phase I reform sector and the 112 properties acquired before Decree 153 was implemented (sometimes referred to as Decree 842 properties).

Reserve Rights

The 100 and 150 hectare limits (applied to Class I-IV and Class V-VII land respectively) constitute the former owner's "reserve right". The reserve right entitles the owner to retain a portion of the land to continue farm operations. If, at the time of acquisition, the GOES finds the owner has maintained or increased productivity or otherwise improved the property, the owner's reserve right may be increased by 20 percent, a move intended to discourage decapitalization and reward investment.

Owners had 12 months from the date of expropriation to file a claim specifying which land and assets were to be included in the reserve right. The owner was obligated not to claim land or assets which would debase the remaining land's potential as a producing unit. Reserve right claims were filed with ISTA which has final authority to arbitrate and grant reserve rights.

Former owners had filed 271 reserve right claims by November 1984. One hundred, fifty-six (156) claims, covering 14,000 hectares, have been granted. One hundred, six (106) claims have been renounced by former owners, and nine claims are being negotiated and processed.

Compensation

Decree 153 provides for compensation to be paid to the former owners of properties acquired by ISTA. Once ISTA has possession of the land, the amount of compensation due the former owner and the method of payment are determined.

The former owner's compensation was to be the simple average of the property's declared value on the owner's 1976 and 1977 tax declarations. For various reasons, compensation has not been as simple as envisioned. Tax declarations have been missing, and in some cases, altered. The strategic behavior of owners in 1976-77 led some to undervalue their property to avoid taxes. Other owners overvalued their property as the basis of bank loans or because they anticipated the reform and its compensation scheme based on declared values.

Capital improvements made after 1977 and adjustments for reserve rights are also considered when determining the final compensation amount. Verifying and valuing the capital improvements and determining the reserve rights have delayed compensation to former owners. Simply locating and certifying the necessary documents for compensation is an arduous task.

When tax declarations or other documents are not available, the former owner declares a value which is then approved by ISTA or rejected with a counteroffer. Total Phase I compensation is expected to exceed $280 million in cash and bonds. As of November 1984, 58 percent of this ($161 million) has been paid out for 256 properties.

Method of Payment

The method of compensation payment (cash and/or agrarian reform bonds) depends upon the size and type of property expropriated. All Phase I lands (and Phase II land offered for sale and subsequently purchased under Phase I) were paid for with agrarian reform bonds only. Livestock and machinery were paid for with 25 percent cash and 75 percent bonds. As of November 1984, $9,377,000 have been paid in cash.

Agrarian reform bonds are issued in three series depending upon the type and utilization of the property they compensate. Series A Preferential Bonds (five year-maturity) are issued for the portion of livestock and machinery not compensated for in cash. Series b bonds (20 year-maturity) are issued for land and fixed capital to efficient owner/operators; Series B bonds (25 year-maturity) to less efficient operators and Series C bonds (30 year-maturity) to owners of underutilized, rented or abandoned properties).

The agrarian reform bonds pay 6 or 7 percent interest and the interest and capital represented by them are tax exempt. Decree 220 lists various uses of the agrarian reform bonds which are authorized in order to enhance their acceptability.

1. Acceptance at 90 percent of the nominal value for payment of custom duties or other direct taxes.
2. Acceptance of mature coupons (i.e. interest payments) at their nominal value for all kinds of taxes.
3. Acceptance at their nominal value for inheritance taxes, gift taxes, or as bail.
4. Acceptance as a percentage of guarantees for financing by national financial institutions of industrial, agroindustrial, agrochemical or rural housing activities.

As of November 1984, $151,467,000 in bonds have been issued and a small but growing market for the bonds is developing.

Titling and Debt Repayment

Once the former owner's reserve rights are settled and compensation has been paid, the cooperative's agrarian debt is established. The agrarian debt for each cooperative equals the compensation paid the former owner (subject to any pre-reform emcumbrances). Each cooperative is expected to retire the agrarian reform debt on its property. The debt bears interest charges of 9.5 percent per year, and repayment is spread over 20 to 30 years depending on the type of bonds issued to the former owner.

Equating the cooperative's debt with the compensation paid to the former owner has led to some problems. Because the former owner's compensation is reached by negotiating from declared values, the final compensation amount (and thus the cooperative's agrarian debt) may or may not bear a relationship to the productive capacity of the land or the ability of the cooperative to eventually repay its debt.

During 1984, an analysis of the debt structure of the cooperatives was conducted by A.I.D. consultants [6/]. They found the debt faced by the cooperatives consisted of three components: (1) the agrarian debt incurred for the land and other expropriated assets, (2) the "ISTA-BFA Cartera" which was emergency production credits loaned to the cooperatives in

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6/ "Analysis of the Agrarian Debt of Phase I Agrarian Reform Cooperatives in El Salvador", Robert R. Nathan Associates, Inc., October 1984.

1980, and (3) accumulated production and investment loans which have been "rolled-over" since 1980. The total debt (principal and interest) faced by the cooperatives was estimated to be $800 million of which the agrarian debt accounts for 87.4 percent; four percent for the "ISTA-BFA Cartera"; and the remaining 8.6 percent in accumulated loans. The consultants concluded that the total annual income of almost 75 percent of the cooperatives is barely sufficient to meet the service payments on their current bank debt (production and investment loans), and nearly 95 percent do not have, as of November 1984, the financial capacity to cope with the total annual debt service payments. Alternatives as to how to deal with the unmanageable portion of the cooperatives' debt are being studied by the GOES[7/]. ISTA may administratively change the repayment terms (interest rate and repayment period) but is restricted by law from disassociating the amount of debt from the amount of compensation.

After a cooperative's debt has been established, final negotiations between the cooperative's board of directors and ISTA are completed, and the land transfer title is executed. Fifty-seven Phase I cooperatives have received titles and have made at least some payments on their agrarian reform debt.

7/ ISTA may grant grace periods of up to three years on the first repayment of the agrarian debt. However, the grace period for most cooperatives will expire in 1985, and they will have to begin making agrarian debt payments.

Legal and procedural complexities of the agrarian reform have limited the number of titles issued, but many cooperatives are making agrarian reform debt payments irrespective of their status in the titling process.

Table II summarizes some of the important facets of Phase I's progress as of November 1984.

TABLE II

Status of Phase I Progress

PHASE I	As of 3/30/82	As of 12/25/83	As of 10/25/84
Total No. of Properties Affected[1/]	426	426	472
Estimated Direct Benef.	34,728	31,359	31,359
Total Benef.[2/]	08,368	188,154	188,154
Land Area Affected (Acres)	554,310	539,400	[illegible],200
Properties Compensated	90	03	56
Total Compensation Paid (U.S. Dollars)	5,128,774	125,878,132	160,803,696
- Compensation paid in cash	5,127,454	9,749,572	,377,056
- Compensation paid in bonds	50,001,320	116,128,560	151,466,640
Titles Issued to Coops.	4	41	57

1/ Does not include the 112 pre-reform held by ISTA.
2/ Assumes six persons per rural household.

Income derived from each cooperative's production and sales is to be used for the following purposes, in order of priority:

1. Payment of loans for production and operating expenses, including wages.
2. Payment on agrarian reform debt and other obligations to ISTA.
3. Development of social programs benefiting the members' community.
4. Development of other productive projects.

Any surplus is to be used to constitute a legal reserve or provide for educational, social and capital funds.

To insure that this priority is maintained, the reform has a built-in collection mechanism known as "restricted accounts." st export crops are sold to government monopolies: sugar cane to INAZUCAR, cotton to COPAL and coffee to INCAFE. Basic grains are marketed through IRA, the National Food Supply Institute. These entities take in the farm produce; record the weight, measures and quality; and issue a voucher to the cooperative. The actual money is later credited to a restricted account at the bank which lends to that cooperative. The bank has a record of the cooperative's total debt and, in turn, pays the creditors according to the legal priorities.

Delays by the marketing organizations in selling the cooperatives' products and crediting their accounts, as well as delays in the required ISTA administrative approval for all withdrawals from restricted accounts, have increased the financial uncertainties faced by the cooperatives.

Production Credit

Production and intermediate credits are essential to the success of El Salvador's agrarian reform and the reform's cooperatives. At the same time that the reform was announced, the GOES also nationalized banking and some credit institutions.

In August 1980, the credit responsibilities for the Phase I production cooperatives were divided among ten commercial banks, three national credit institutions and the Agricultural Development Bank (BFA).

Additionally, approximately $30 million dollars in start-up operating funds (the "ISTA-BFA Cartera") was advanced to ISTA in 1980 by the Central Bank through the BFA. These funds were dispersed to the cooperatives, have not been repaid, and may eventually constitute a social cost of initiating the reform. However, ISTA has since cancelled its obligation to the BFA from the sale of reform bonds.

During the first year of the reform (1980-1981 crop year), 225 Phase I cooperatives received $105.6 million of credit, primarily loaned through the BFA. Credits to the Phase I cooperatives were divided into $92.2 million for production (short-term) credits and $12.8 million for investment (long-term) credits. After the 1980-1981 crop year, 141 of the Phase I cooperatives (55 percent) had delinquent accounts which totalled $13.4 million. Of this amount $10.3 million was rescheduled to the 1982-1983 crop year and $3.1 million was considered uncollectable.

During the 1980-1981 crop year, the BFA was the primary lender to the reformed sector, making $61.5 million ($48.7 million in production credits and $12.8 million in investment credits) available to 77 Phase I cooperatives. Seventy-five of the cooperatives assigned to the BFA had delinquent accounts totalling $8.1 million (all of which was rescheduled) for the 1982-1983 crop year.

In the 1981-1982 crop year, the reform sector (256 Phase I cooperatives) received $74 million ($71.9 million in production credits and $2.1 million in investment credit). At the end of that year, 153 of the Phase I cooperatives (60 percent) had delinquent accounts which totalled $16.4 million ($9.2 million uncollectable and $13.5 million rescheduled to 1982-1983).

The BFA loaned $15.3 million ($13.2 million in production credit and $2.1 million in investment credit) to 78 reform sector cooperatives in 1981-82. Fifty-two of the cooperatives had delinquent accounts totalling $4.1 million ($0.6 million uncollectable and $3.5 million rescheduled to 1982-1983).

In the 1982-1983 crop year the reform sector's programmed share of credit available to the agricultural sector was $127.3 million dollars of which $88.0 million was programmed for production credit, $14.8 million was programmed for investment credit and $23.8 million was programmed to cover the rescheduled delinquent accounts of the two previous years ($10.3 million from 1980-1981 and $13.5 million from 1981-1982). By June 30, 1982, approximately $100 million dollars (78 percent of the reform sector's $127.3 million programmed credits) had been approved to 251 Phase I cooperatives. Twenty-one million dollars of this amount was approved through the BFA.

The financial system's lending to the agrarian reform cooperatives in 1983-84 continued at levels similar to those of the 1982-83 crop year. Almost $24 million in delinquent accounts were rescheduled from previous years. Lending to the cooperatives totaled $100 million in the 1983-84 crop year with the BFA providing $20.5 million of that amount. Lending to the cooperatives during the 1984-85 crop year is projected to total $110 million. The BFA's portion of that amount will be $30.6 million. The BFA's share of total lending to the agrarian reform cooperatives has increased as its cooperative clientele increased from 100 cooperatives during the 1983-84 crop year to 129 a year later.

In late 1984, the Salvadoran Central Reserve Bank provided $18.5 million in a refinancing line for overdue agricultural debts accumulated by Phase I cooperatives since the beginning of the agrarian reform. The terms of the credit line permit banks to refinance outstanding debt for eight years at six percent interest. e terms of the line permit banks to refinance debt for eight years at six percent interest.

Technical Assistance

A national organization of reform cooperatives, the Federacion Salvadorena de Cooperativas de la Reforma Agraria (FESACORA) has been formed to represent the general interests of the cooperatives. FESACORA is investigating several alternatives for providing increased technical and financial assistance to the Phase I cooperatives. Its zonal organizations, Consejo de Dirigentes Zonales (CODIZO), offer grassroots training, joint purchasing opportunities and other assistance to the cooperatives.

The Ministry of Agriculture has recently undergone a reorganization to more effectively provide research and extension services to cooperatives.

The National Center for Agricultural Technology (CENTA) is the research and extension branch of the Ministry of Agriculture. In additional to responsibility for the national agricultural research agenda, CENTA extension agents provide on-farm technical assistance to all sectors of Salvadoran agriculture with special emphasis on reform beneficiaries.

The National Center of Agricultural Training (CENCAP), part of the Ministry of Agriculture's educational services, was founded in 1976 and is training both technical assistance agents and cooperatives members. There are eight regional training centers either operating or under construction. CENCAP and the extension components of other MAG divisions also offer on-farm courses for technicians, promoters, accountants and farmers.

Phase I Production

Throughout the Salvadoran agrarian reform emphasis has been placed on maintaining agricultural production. The incomes of the Phase I beneficiaries, the agricultural export income of the nation and, to a large extent, the success of the agrarian reform depend upon the ability of the Phase I farms to maintain production even during the disruptive process of changing ownership and management. However, several factors complicate attempts to measure Phase I production progress, and static indicators fail to reflect the dynamic nature of El Salvador's agrarian reform. Phase I has evolved during its implementation, and its procedures and parameters have become less distinct as the plan has become a reality.

It is difficult to measure precisely how well the Phase I farms are producing because comparative, time-series data are hard to develop and analyze, especially now that it is necessary to distinguish between the reform and non-reform sectors. Definitional changes also impair comparability. With technical assistance from AID, the GOES is improving its capability to monitor and measure agrarian reform sector progress and production.

Numerous Phase I farms sit squarely in areas of military/guerrilla combat, especially in the Departments of La Union, San Miguel, Usulutan, San Vicente, La Paz, Morazon, Chalatenango and Cuscatlan. The result is that upwards of 50 farms have been abandoned at least temporarily over the years and many have not returned to operations as cooperatives. As of November 1984, ISTA reported 18 completely abandoned Phase I farms.

In addition to the 18 farms, the Office of Planning and Evalution for the Agrarian Reform (PERA) estimates that another 37 cooperatives are in areas through which the military and the guerrillas conduct operations. Any of these may have to be abandoned at any moment. An estimate of the value of crops lost on the 18 abandoned farms is close to $2.7 million (2.5 colones = $1.00 U.S.). The crop losses represent a substantial proportion of the value of reformed sector production: 7.8 percent of the sorghum, 7.3 percent of the rice, 5.2 percent of the corn and 5.1 percent of the cotton, plus smaller losses in sugar cane and beans.

Export crops like cotton, coffee and sugar cane have been hard hit. Cooperative members, as well as private producers, have been warned by the guerrillas not to plant export crops or have been charged "war taxes" in cash or produce for areas planted. Equipment has been destroyed and workers threatened, kidnapped and killed.

Cotton is especially susceptible because it needs timely applications of pesticides applied by light planes. Spray planes are easy targets because they must fly low and slowly. Thirteen crop dusting planes were shot down in 1982, and although the Armed Forces have emphasized security around the cooperatives during critical periods in the agricultural crop cycle, losses continue at disruptively high levels. The extent of the reduction in cotton production, as well as other export crops, due to threats and violence is difficult to measure and adds to the economic uncertainty faced by all agricultural producers in El Salvador, including reform beneficiaries.

In the case of sugar cane, the fields of drying cane are easily destroyed by fire. To deal with this, harvests are begun earlier than usual. When cut early, the cane is less dry; but the sugar content is lower, reducing production. Despite these problems, progress is being made, and the Phase I farms are continuing to produce significant amounts of basic grains and export crops.

Table III shows the total number of hectares planted by commodity on the Phase I cooperatives during the 1980-81 through 1983-84 crop years.

TABLE III

Total Hectares Planted by Commodity on Phase I Reform Sector Cooperatives
(1980/81 through 1983/84 Crop Years)

COMMODITY	1980/81	1981/82	1982/83	1983/84	Percent Change (80-83)
Basic Grains					
Corn	15,200	16,000	8,900	6,800	-54.6
Beans	5,300	4,200	2,600	2,300	-54.0
Rice	3,300	4,100	3,000	2,600	-13.3
Sorghum	5,200	3,000	1,700	1,300	-74.0
Export Crops					
Coffee	21,800	19,000	19,300	18,900	-14.1
Cotton	19,600	19,100	16,200	13,600	-32.0
Sugar	10,600	11,000	12,800	13,900	26.3
TOTAL	81,000	76,400	64,500	59,400	-26.6

Source: MAG/DGEA

The Phase I reform sector cropped 21,600 fewer hectares (a 26.6 percent decline) from the 1980-81 crop year to the 1983-84 crop year. This decline occurred despite an increase of hectares planted on the cooperatives located in the two agricultural regions of western El Salvador. Offsetting that increase was a comparatively greater decline of hectares planted on the cooperatives in the less secure eastern regions of the country.

Other factors contributing to the decrease were low world prices, a shortage of farm equipment, a lack of timely credit and the decisions made by some cooperatives to change their crop/enterprise mix.

Table IV shows comparative yields (tons per hectare) by commodity between the nation as a whole and the Phase I reform sector cooperatives during the 1980-81 to 1983-84 crop years. The Phase I reform sector cooperatives' average yields compare very favorably with the national average yields. Average yields can reflect many variables: management, soil fertility, cultural practices, availability of timely credit and the vagaries of weather. There is little doubt that the credit and technical assistance priorities given to the Phase I cooperatives have helped them to maintain their average yields.

While hectarage planted and average yields are important determinants of the amount of total product eventually harvested, they alone are not sufficient to demonstrate the importance of the Phase I reform sector cooperatives' contribution to El Salvador's agricultural production. Table V shows agricultural production for basic grains and export crops in El Salvador for the crop years from 1980-81 through 1983-84. The table shows El Salvador's national production

TABLE IV

Phase I Reform Sector/National Agricultural Average Yields in Metric Tons Per Hectare By Commodity (1980/1981 through 1983/84 Crop Years) Source: MAG

COMMODITY	1980/1981 Crop Year National (MT TONS/ HECTARE)	1980/1981 Crop Year Reform Sector (MT TONS/ HECTARE)	1981/1982 Crop Year National (MT TONS/ HECTARE)	1981/1982 Crop Year Reform Sector (MT TONS/ HECTARE)	1982/1983 Crop Year National (MT TONS/ HECTARE)	1982/1983 Crop Year Reform Sector (MT TONS/ HECTARE)	1983/1984 Crop Year National MT TONS/ HECTARE)	1983/1984 Crop Year Reform Sector (MT TONS/ HECTARE)
Grains								
Corn	1.79	2.92	1.79	2.27	1.72	1.96	1.81	2.83
Beans	.88	.75	.76	.98	.68	.77	.74	.95
Rice	3.57	3.09	3.59	3.33	2.84	2.35	3.39	3.39
Sorghum	1.16	1.77	1.16	1.38	.88	1.02	1.10	1.96
Ex/Crop								
Coffee	1.01	.84	.85	1.05	.74	1.24	.64	.89
Cotton	1.99	2.25	2.15	2.03	2.06	2.52	2.08	2.27
Sugar	3.27	3.65	3.51	3.63	3.80	3.32	3.47	3.77

ote: The crop year runs from April 1 through March 31 of the following calendar year.

TABLE V

Phase I Reform Sector/National Agricultural Production In Metric Tons By Commodity
(1980/1981 through 1983-84 Crop Years) Source: MAG

COM-MODITY	1980/1981 Crop Year National (MT TONS)	1980/1981 Reform Sector (MT TONS)	1980/1981 Reform Sector %	1981/1982 Crop Year National (MT TONS)	1981/1982 Reform Sector (MT TONS)	1981/1982 Reform Sector %	1982/1983 Crop Year National (MT TONS)	1982/1983 Reform Sector (MT TONS)	1982/1983 Reform Sector %	1983/1984 Crop Year National (MT TONS)	1983/1984 Reform Sector (MT TONS)	1983/1984 Reform Sector %
Grains												
Corn	520,364	44,455	9	494,000	36,364	7	409,091	17,409	4	437,864	19,273	4
Beans	45,955	3,955	9	37,818	[illegible],136	11	37,727	2,000	5	14,727	2,182	5
Rice	60,000	10,182	17	49,540	13,636	28	31,818	7,045	22	42,727	8,818	21
Sorghum	138,227	9,227	7	134,091	4,136	3	104,545	1,727	2	121,682	2,545	2
Fx/Crop												
Coffee	186,091	18,364	10	157,955	20,000	13	137,409	23,955	17	118,182	16,818	14
Cotton	115,545	44,136	38	112,000	38,818	35	103,182	40,864	40	76,364	30,909	40
Sugar	90,136	38,682	43	[illegible]	39,955	[illegible]	[illegible],545	42,455	36	141,773	52,364	37

and the portion of national production attributable to the Phase I reform sector. The importance of the Phase I reform sector's contribution to the supply of basic grains and export crops (14 percent of the coffee, 40 percent of the cotton and 37 percent of the sugar cane in the 1983-84 crop year) is evident. Production of all agricultural commodities except sugar cane has decreased in both the reform sector and for the nation as a whole. This trend is particularly true for the basic grains where national production has decreased 16 percent for corn, 9 percent for beans, 29 percent for rice and 12 percent for sorghum.

PHASE II

Phase II of El Salvador's agrarian reform program is authorized in Decree 154, but Phase II was not implemented by the GOES at the same time as Phases I or III. The expropriation of Phase II farms (approximately five times the number of Phase I farms) would have required administrative, financial and personnel requirements beyond those available to GOES agencies. According to Decree 153, compensation for expropriated Phase II properties would have been paid 25 percent in cash and 75 percent in agrarian bonds. Livestock and improvements would be paid 100 percent in cash. At an estimated value of $1,500 dollars (U.S.) per hectare, this would have necessitated a large cash outlay by the GOES at a time when it had a large deficit, and cash requirements for production and investment credits to Phase I and Phase III (Decree 207) farms were immediate.

The manpower requirements of ISTA to expropriate the more than 1800 Phase II farms, organize the beneficiaries into cooperatives and co-manage those cooperatives (as well as existing Phase I cooperatives) were beyond ISTA's capabilities. All GOES agencies providing technical services, crucial to the success of the reform sector farms, were strained meeting the needs of Phase I and Phase III farms.

The implementation of Phase II was clarified somewhat by passage of the new Salvadoran Constituton in December 1983, but its full impact is as yet unknown. Previously, according to Decree 154, the properties affected by Phase II were to have been those belonging to owners who held from 100 to 500 hectares of land. However, the size criteria of properties affected was changed by Article 105 of the Constitution to permit individuals (corporate or private) to own up to 245 hectares each.

The potential impact of Phase II has been dampened somewhat by the transfer of Phase II lands under Phases I and III. Approximately 11,000 hectares of potential Phase II land were purchased by ISTA through voluntary sales during Phase I. Almost 13,000 hectares of potential Phase II lands have been claimed by beneficiaries of Phase III under Decree 207. Using data contained within the 1971 Agricultural Census, it has been estimated that under the new size criteria authorized in the Constitution, approximately 21,000 hectares remain to be distributed under Phase II.

Despite the clarifications made by Article 105, the mechanism for implementing Phase II is as yet poorly defined, but it is envisioned that it will rely on a free market concept (with some limitations). Each individual owning more than 245 hectares will have three years (until December 1986) to dispose of their excess or face expropriation without compensation. Individuals are free to dispose of their property in the [illegible] and manner in which they see fit, although some restrictions on sales to relatives will be imposed and some mechanism for insuring access to the land by campesinos will likely be developed. It is expected that after a new Constituent Assembly is elected in 1985, the issues needed to clarify and implement Phase II will be debated and defined.

The number of potential beneficiaries of Phase II depends on the quantity of land which is eventually redistributed. Assuming 1.6 hectares per direct beneficiary (the average size of Phase III holdings), there are estimates of 13,125 direct beneficiaries. The farms affected by Phase II are distributed fairly evenly throughout the four agricultural regions of El Salvador. The crops they produce include basic grains and export sector commodities. Export sector production could be particularly affected by Phase II since it is estimated that 13.5 percent of the sugar cane and 30 percent of the coffee and cotton hectares in production are on potentially affected Phase II lands.

PHASE III

Decree 207, enacted in April 1980, by the Government of El Salvador established Phase III of El Salvador's agrarian reform[8/].

Phase III allows farmers who had access to land on May 6, 1980 to file application for preferential rights on up to seven hectares (17.5 acres) of the land they rented or sharecropped and thus begin the process of establishing secure ownership rights to the land[9/]. This is an important difference between Decree 207 (which is based on the type of tenure arrangement between landlord and tenant) and Decree 153 (which is based on the total number of hectares held by a single owner). Phase III defines rental (and lease/purchase) agreements broadly to cover: (1) written and verbal agreements, (2) payments in cash, crop or service and (3) arrangements

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8/ Implementation actually began in March 1981, with the commencement of activities by the National Financial Institute for Agricultural Lands, FINATA, the Decree 207 implementing entity.
9/ Eventual title to the land obligates the new owner to repay the Government the determined value of the property.

whereby the renter plants a different parcel each year rather than the same parcel. The application period for Phase III was extended three times and expired in June 1984.

Phase III also frees eligible beneficiaries from further rent payment to their former landlords, greatly restricting and modifying the practice of indirect land exploitation in El Salvador (as required by provisions of the Basic Law of Agrarian Reform in Decree 153). If the tenants do continue to pay rent and obtain a receipt, the amount paid is to be deducted from their future amortization payments, as well as from the compensation paid to the former owners.

Granting ownership rights to the former tenant and freeing the former tenant from the burden of paying the landlord (in cash, crop or labor) are intended to initiate a chain of desirable events. By making a modest, long-term amortization payment to the government (to cover the cost of the land) instead of rent to the landlord, it is intended that family income will increase[10/]. Increased income will be invested in improved agricultural inputs, leading to increased yields (especially of basic grains which are the primary crops grown on rented lands) and better family nutrition. Diversification

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10/ Even in cases where rent was paid in labor, it is expected that access to the land and freedom from the obligation to spend time working for the landlord will make available opportunities for increased family income.

into export and cash crops such as fruits and vegetables, as well as soil conservation practices and permanent housing, are long-term potential benefits.

Decree 207 Properties and Beneficiaries

Because tenancy is found in many kinds and sizes of farms in El Salvador, it was difficult to determine the number of properties and persons potentially affected by Decree 207. Properties of any size which were indirectly exploited were subject to Decree 207.

There were discrepancies in estimates of the number of hectares potentially affected under Phase III. The most recent estimate is that 198,500 hectares (14 percent of the land in farms) could have been affected. This figure includes rented lands on properties subject to Phase II and land on some ISTA operated "traditional" cooperatives which have been broken up and parceled out under Phase III.

It was equally difficult to estimate the number of potential Decree 207 beneficiaries. Estimates ranged from 60,000 to 150,000 potential beneficiaries. PERA conducted an extensive survey of the country which estimated that Decree 207 could have created 117,000 potential beneficiaries. This is the most widely accepted figure for potential Phase III beneficiaries. Assuming the PERA estimate to be correct, approximately 55 percent of persons eligible under Decree 207 have applied for land.

There are several reasons why some renters may have not filed claims despite Decree 207's provisions: (1) to some farmers who have traditionally rented land, longstanding rental agreements represent an assurance of their access to the rented parcel and their opportunity to earn income from it; (2) some landlords have intimidated tenants or coerced them into not applying for their rented lands; (3) some tenants rent from friends, family members or their economic peers and feel obligated not to claim these parcels and (4) some potential beneficiaries are unaware of Phase III or live in insecure areas where implementation has been difficult.

Much of the land rented in El Salvador (and subject to Decree 207) is of poor quality and/or on steep, erosion prone hillsides. Despite this, these rental parcels produce more than 50 percent of the combined corn, beans and sorghum produced in El Salvador and constitute an important source of domestic foodstuff. The average size of parcels is estimated to be 1.6 hectares (3.8 acres).

Implementation of Decree 207

The *Financiera Nacional de Tierras Agricolas* (FINATA) is the implementing agency responsible for fulfilling the provisions of Decree 207. FINATA was established in December 1980, and it acquired the small staff, $4.0 million in cash assets and a $4.0 million bonding authority from COFINTA (a now obselete agency that had been charged with financing the purchase of land parcels). FINATA presently has 504 permanent and 300 temporary employees in 14 field offices throughout the country. Until June 1984, FINATA employees concentrated on locating potential beneficiaries, explaining the filing procedures and taking initial applications. Since the expiration of the filing period, FINATA has been reassigning personnel and resources to concentrate on completing the titling procedures.

As the implementing agency, FINATA is charged with: (1) promoting Phase III, (2) preparing renter claim application forms, (3) issuing provisional titles, (4) obtaining the affected land from the owner, (5) determining and paying former owner compensation, (6) verifying titles and preparing new deeds, and (7) establishing the amount of the former renter's agrarian debt and payment. Unlike ISTA, FINATA is not charged with co-management responsibilities or with providing technical services to new owners.

It is important to note that unlike Phase I which was initiated by GOES expropriation, no action takes place under Phase III until the renter initiates the claims procedure. This design feature, in an environmental of threat and violence, seriously impairs the "self implementing" aspect of Phase III originally envisioned. The preparation of application documents, carried out in the FINATA field offices, begins a multi-step procedure which leads to issuance of a definitive property title to the Phase III beneficiaries. (See Table VI). The first four steps of the procedure, conducted at the FINATA field office, lead to the issuance of a provisional title. The provisional title assures the former renter of the right to cultivate the land and reap full benefit of the harvest. The provisional title also provides the former renter with easier access to the BFA for production credit financing. By November 1984, a total of 79,137 applications had been filed.

TABLE VI

Steps in Implementing Decree 207 (Phase III)

Administrative Steps	The Process for the Tenan
1. Identify tenants who have the legal right to claim a particular parcel of land;	1. Application filed receipt issued.
2. Identify that parcel and prepare a legal description;	
3. Identify current owner;	
4. Determine the land's value;	
5. Negotiate agreements or adminstratively resolve any disputes;	
6. Record the action into the cadastral system;	
7. Register this transaction in the land registry records;	
8. Issue a provisional title;	2. Receive provisional title.
9. Publicize these provisional transactions to notify other who believe they have rights to the affected land, providing an opportunity to contest it;	
10. Open account through which the beneficiary will make amortization payments and pay applicable taxes;	3. Receive definitive title.
11. Establish records to compensate former land owners; and	
12. Issue bonds and make cash payments.	

Note: The provisional title may be issued before steps 4 through 7 are completed. However, before the definitive title may be issued, all the remaining steps must be done, including field inspections to complete the necessary verifications.

Source: AID, "Implementation of the Program", March 30, 1981.

Title and Debt Repayment

Once a provisional title has been issued, a set of actions, approvals, notifications and registrations are required to complete the titling process. This involves detailed searches of tax and registration documents, field visits to locate the parcel on the basis of aerial photographs, soil classifications to establish the purchase price and signing of official documents by the former renter and previous owner (if present). Adjoining owners and the former owner must also sign documents verifying the parcel's location. A separate document records soil classification and topographical information, and a socio-economic profile of the new owner is undertaken to provide the basis for individual credit plans. Legal procedures to compensate the former owner and determine the new owner's mortgage and annual payment complete the process.

Payments to amortize the new owner's mortgage which is equal to the former owner's compensation are to be made annually over a 30-year period in cash, or the land is subject to repossession. Allowances for the type of crop and time of harvest will be considered in setting the annual payment terms. The mortgage may be paid in full at any time.

To protect the intent of the reform, new owners are not allowed to indirectly exploit or sell the land for a period of 30 years, even if the mortgage has been satisfied. The land distributed under Phase III may be passed on through inheritance from the direct beneficiary but only to a single heir until the 30-year period has passed.

Compensation and Method of Payments

The law provides that former owners with holdings less than 100 hectares, will be compensated 50 percent in cash and 50 percent in agrarian bonds (30 year-maturity), a higher percentage in cash than allowed under Phase I. In the case of affected landlords with holdings greater than 100 hectares the compensation formula is 25 percent cash and 75 percent bonds. FINATA has also administratively denied some claims (disaffectations) because the affected owners would be destitute without their parcels. In these cases, FINATA tries to purchase and relocate to other properties legitimate claimants who have had their applications denied under the previously mentioned "widows and orphans rule".

Compensation to former owners of properties claimed under Phase III is determined by FINATA on the basis of the property value as claimed on the 1976-77 tax declaration. In the absence of a 1976-77 tax declaration, the former owner's compensation is determined by FINATA on the basis of the land's soil type and classification. By November 1984, 1,057 affected landlords had been compensated in the amount of $17,398,511.

Credit and Technical Assistance

In order to achieve the goals of higher income and productivity, Phase III beneficiaries require adequate amounts of timely credit and access to technical services which allow them to utilize high yield varieties, diversify their production and manage their natural resources.

Pre-reform sources of production cash or credit for the small farmer (who may now be a Phase III beneficiary) were scarce. They included: (1) BFA small farmer programs, (2) income from off-farm sources, (3) in very few cases commercial bank credit for those who owned property acceptable as collateral, and (4) former landlords who sometimes provided production inputs or the credit to buy them.

While the credit relationship with the former owner (to the extent that it was ever very strong or extensive) is now severed and high unemployment limits off-farm incomes, the provisional titles make Phase III beneficiaries eligible for commercial bank credit (even though the bank cannot foreclose on the land) and expanded BFA small farmer programs. Approximately 12,000 Phase III beneficiaries are clients currently and receive BFA production credit. Undoubtedly, more production credit, as well as investment credit, will be necessary. Resources are being added to the BFA and commercial banks to improve their ability to service Phase III beneficiaries and other small farmers. Through an AID credit project, efforts are underway to improve the institutional capacity of the BFA to service its expanding clientele in all the reformed sector.

Technical assistance to the small farmer is important because of the generally low management skills which characterize many small, often part-time farmers and their relatively greater need to conserve their land's scarce natural resources. The technical assistance agencies in El Salvador do not have the resources necessary to service the Phase III beneficiaries who are widely dispersed, unorganized and, in many cases, illiterate. Traditional extension and technical assistance methods are being augmented with non-traditional methods in order to reach and service Phase III beneficiaries.

Evictions

One of the major problems surrounding Phase III has been the eviction of beneficiaries from parcels of land they are entitled to. There have been varying estimates as to the magnitude of the problem. A study by PERA indicates that as of August 1983, there had been 5,634 beneficiaries evicted. Unofficial estimates made by *campesino* labor organizations representing small farmers and rural workers tend to be much higher. The disparity in the estimated number of evictees is due largely to definitional differences.

The fact remains that evictions of actual and potential beneficiaries of the reform have occurred, often times accompanied by acts or threats of violence, and their effect on the process has been negative. Evictions are a serious form of opposition to the reform process and threaten its validity by undermining the credibility of the provisional title. Evictions also discouraged potential beneficiaries from making and/or continuing applications, fearing that they too could be evicted or denied access to land and be worse off than they might otherwise have been. To counteract the evictions and to reinforce Phase III credibility; FINATA, in cooperation with the Armed Forces, has initiated a program of returning evicted beneficiaries to their parcels. Under the program FINATA submits a list of evictees to a departmental or local military commander who then confronts the offending property owner and, if necessary, authorizes troops to accompany the evictee to his/her parcel and to insure that they are securely reinstalled on the property.

FINATA also conducted a radio publicity campaign describing the details of the program and encouraging evicted beneficiaries to make their cases known.

Legislative Developments Affecting Phase III Implementation

A set of decrees issued by the Salvadoran Constituent Assembly during the first weeks of its 1982 session confounded the implementation of Phase III of the reform. The confusion arose out of the Constituent Assembly's efforts to permit owners of land appropriate for the production of cotton or sugar cane to enter into land rental contracts without incurring the risk of a Phase III related expropriation11/. To accomplish this, the Assembly passed legislation submitted by the Provisional President that suspended new rentals of cotton and sugar cane lands for one crop cycle.

The intent of the drafters of the legislation, now known as Decree 6, was to encourage the production of cotton and sugar cane by minimizing the uncertainties and reducing the perceived risks relating to the rental of cotton and sugar cane land. The expansion of the suspension to include lands rented for basic grains and livestock was widely taken (both in El Salvador and the United States) to be a de facto repeal of Phase III even though Decree 6 protected the rights of all beneficiaries, current and potential.

The legislation's provisions guaranteeing the rights of actual and potential Phase III beneficiaries are quite explicit. Protected are: (1) those beneficiaries who have been issued a provisional title by FINATA; (2) those with pending title petitions initiated prior to May 18, 1982, and (3) those

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11/ Cotton and cane are produced on extensive holdings in El Salvador and those lands were not intended to come under the provisions of Phase III, which was designed to transfer small parcels to renters and sharecroppers.

potential beneficiaries enjoying tenancy on May 6, 1980, and qualifying as reform beneficiaries but who had not submitted a petition at the time the amending legislation was enacted.

Phase III Progress

Despite the problems associated with the complex task of implementing Phase III, progress continues to be made.

As of November 1984, 97,000 hectares have been claimed. There have been 64,000 direct beneficiaries. Assuming six persons per rural household, there are currently 384,000 total beneficiaries (17 percent of the rural poor population)[12/]. There have been 79,000 applications[13/] filed and 64,000 provisional titles[14/] granted (81 percent of those filed); and there have been 12,000 definitive titles issued to Phase III beneficiaries. One thousand former property owners have been compensated $18 million.

12/ Assumes 2,202,700 as the rural poor population.

13/ Phase III benef. may file more than one title application up the 7 hectares limit.

14/ More than one provisional title may be granted up to the limit of 7 hectares.

TABLE VI

Status of Phase III Progress

PHASE I	As of 3/30/82	As of 12/25/83	As of 10/25/84
Number of Direct Beneficiaries	28,123	60,733	63,663
Total Beneficiaries[1/]	168,738	364,398	381,978
Land Area Affected (Acres)	133,840	288,230	240,034
Title Petitions Filed	35,446	75,967	79,137
Provisional Titles Issued	27,215	55,287	64,341
Definitive Titles Issued	-0-	5,456	11,91[illegible]
Property Owners Compensated	-0-	499	1,057
Compensation Paid (U.S. Dollars)	-0-	9,684,747	17,398,511

FINATA is committed to completing the titling process for all qualified claimants.

Assumes six persons per rural household.

SUMMARY OF EL SALVADOR'S AGRARIAN REFORM PROGRAM

El Salvador's agrarian reform program is a dynamic process of social, economic and land tenure changes. Each phase of the program is at a different stage, has met with different levels of success and faces different challenges.

Phase I has been initiated. Its success or failure will be determined by the ability of the cooperative farms it has engendered to function as independent, economically viable units contributing to the national income, generating additional rural income and employment, and leading the effort to diversify the country's agricultural base. Cooperative organization and training are being carried out, and technical assistance and credit agencies are establishing mechanisms to service the Phase I sector. It remains now to complete the task.

Phase II has been clarified, but implementation will require more specific legislation or implementing regulations. Consideration of alternative approaches to Phase II implementation have been initiated.

Phase III is still underway although the deadline for filing new applications has expired. In some respects implementing Phase III has been more difficult than Phase I. The problem of issuing titles to beneficiaries and providing them necessary credit and technical assistance still exist.

Agrarian reform in El Salvador is proceeding. It is being conducted in the midst of violence, and neither the promotors nor the participants in the reform are immune to the consequences of the strife.

The reform's goals are visionary but cannot be evaluated fairly until the mechanisms of the reform are in place and the economic incentives and responsibilities of land ownership have exercised themselves.

A N N E X E S

EL SALVADOR ECONOMIC AND SOCIAL DATA

RAL

l GDP (1984)	₡11,116.4 millions
GDP Growth Rate (1983/84)	1.5
Capita GDP (1984)	₡ 2,292.0 millions
P... GDP Growth Rate (1983/84)	- 1.3%
...lation Rate (1984)	11.7%
U...loyment Rate (1983-84)	25%-30%
...ment Rate (1983)	50.0%

...ibution to GDP (1984)

...ulture	25.6%
...facturing	16.9%
...truction	3.1%
...tricity, Water & Other Services	3.8%
...sportation and Communication	6.1%
...ic Administration	12.7%
...erce	16.2%
...nce	3.7%
...ing	5.0%
...onal Services	6.8%

...ULTURE

...al Agricultural Production ...wth Rate (1980-1984)	- 3.7%
...ortion of Labor Force Agriculture (1983)	40.1%
...lation Density/Sq. Mile of ...ricultural Land (1979)	865.0
...istence Crops (1984): ...n, Beans, Rice, and Sorgo	Arable Land 31.8%
Crops (1984): ...ffee, Cotton, Raw Sugar	20.5%

...r Agricultural Exports: (1984)
...ffee, Raw Sugar, Shrimp, Cotton

...ricultural and Livestock Imports: (1984)
...eat, ...rn, Vegetables, Milk, Oils and Fats

...AL GOVERNMENT FINANCES* (1984)

...l Revenues (excl. grants)	₡ 1,505.1 millions
... Revenues (incl. grants)	₡ 1,756.0 millions
... Expenditures	₡ 2,211.5 millions
...cit (-) or Surplus (+) ...re foreign grants)	₡ - 706.4 millions
...cit (-) or Surplus (+)	₡ - 455.5 millions

...AL GOVERNMENT ORDINARY ...ITURES BY MAJOR CATEGORY

...ral Government	₡ 53.8 millions
of total expend.	2.6%
...nse	₡ 535.7 millions
of total expend.	26.3%
...ation	₡ 352.9 millions
of total expend.	17.3%
...ic Health & Welfare	₡ 200.2 millions
of total expend.	9.8%
...ic Works	₡ 232.0 millions
of total expend.	11.4%
...culture and Livestock	₡ 148.0 millions
of total expend.	7.3%
...ory	₡ 46.5 millions
of total expend.	2.3%
...r Ministries	₡ 205.0 millions
of total expend.	10.1%
...re Payment	₡ 134.9 millions
...tal expend.	6.6%

...udes Revenues and Expenditures under
...raordinary budget.

BALANCE OF PAYMENTS (1984)

Major Exports (1984): Coffee, Sugar, CACM Manufacturing Goods, Shrimp, and Cotton.
Major Imports (1984): Machinery and Transport Equipment, Petroleum, Raw Materials, Foodstuffs.

Major Trading Partners: United States, Guatemala, West Germany

Merchandise Exports, FOB (1984)	₡1902.2 millions
Merchandise Imports, CIF (1984)	₡2420.0 millions
Trade Balance (1984)	₡-517.8 millions
Balance on Current Account (1984)	₡-660.3 millions
Capital Account	₡ - 7.0 millions
-Official Capital	₡ 154.3 millions
-Banking Capital	₡-148.8 millions
-Private Capital	₡ -12.5 millions
Overall Surplus (+) or Deficit (-) (Before compensatory financing)	₡-667.3 millions
Net International Reserves	₡ 322.4 millions

EXTERNAL PUBLIC DEBT (1984)

Total External Debt, including Central Bank (long and medium term debt)	₡4219.5 millions
as % of GDP	38.0%
Debt Service	₡ 655.8 millions
Debt Services as % of Merchandise Exports	34.5%

SOCIAL DATA

Total Population (1984)	4.85 million in...
Population (1980) in Age Group: (0-14 Yrs) 45.6% (15-64 Yrs) 51.5% (65+ Yrs)	3.0%
Natural Population Growth Rate (1980-1984)	2.8%
Population in Urban Areas (1984)	46.4%
Live Births Per 1,000 Population (1980-84)	39.7
Infant Death in First Year of Life per 1000 Live Births (1984)	83
Life Expectancy at Birth, in years (1984)	53.0 yrs.
Married Women Aged 15-44 Yrs. Using Contraception (1978)	34.4%
People per Physician (1981)	2,500

Major Causes of:
Disease (1979) Malaria, Flu & Pneumonia
Death (1979-1984) Infectious and Enteric Diseases and Acciden...

Population with Reasonable Access to Safe Water Supply (1975)	53.0%
Per Capita Calorie Supply as a % of Requirements (1977)	94.0%
Adult Literacy Rate (1980)	69.8%

Total School Enrollment as % of Population in Age Group:

Primary	(1979)	Total	82.0%
Secondary	(1979)	Total	26.0%
Post Secondary	(1975)	Total	6.5%

Energy Production (1983)	1600 Million Kwh.
Energy Consumption (1983)	1355 Million Kwh.

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EL SALVADOR ECONOMIC AND SOCIAL DATA

RAL

l GNP (1984)	$4,307.4 millions
. GNP Growth Rate (1983/84)	1.5%
ita GNP (1984)	$ 888.1
GNP Growth Rate (1983/84)	- 1.3%
al flation Rate (1984)	11.7%
Un loyment Rate (1983-1984)	25%-30%
remployment Rate (1983)	50.0%

ribution to GNP (1984)

culture	25.6%
facturing	16.9%
truction	3.1%
tricity, Water & Other Services	3.8%
sport	6.1%
ic Administration	12.7%
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	Arable Land
istence Crops (1984): rn, Beans, Rice, and Sorgo	31.8%
Crops (1984): ffee, Cotton, Raw Sugar	20.6%

Agricultural Exports: (1984)
Raw Sugar, Shrimp, Cotton

Agricultural and Livestock Imports: (1984)
eat, Corn, Vegetables, Milk, Oils and Fats

RAL GOVERNMENT FINANCES* (1984)

. Revenues (excl. grants)	$ 602.0 millions
l Revenues (incl. grants)	$ 702.4 millions
l Expenditures (Act.)	$ 884.6 millions
cit (-) or Surplus(+) ore foreign grants)	$- 282.6 millions
cit (-) or Surplus (+)	$- 182.2 millions

RAL GOVERNMENT ORDINARY
NDITURES BY MAJOR CATEGORIES

eral Government	$ 21.5 millions
% of total expendi.	2.6%
ense	$ 214.3 millions
% of total expendi.	26.3%
cation	$ 141.2 millions
% of total expendi.	17.3%
lic Health & Welfare	$ 80.1 millions
% of total expendi.	9.8%
lic Works	$ 92.8 millions
% of total expendi.	11.4%
iculture and Livestock	$ 59.2 millions
% of total expendi.	7.3%
nomy	$ 18.6 millions
% of total expendi.	2.3%
er nistries	$ 82.0 millions
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Major Imports (1984): Machinery and Transport Equipment, Petroleum, Raw Materials, Foodstuffs.

Major Trading Partners: United States, Guatemala, West Germany

Merchandise Exports, FOB (1984)	$ 760.8 millions
Merchandise Imports, CIF (1984)	$ 968.0 millions
Trade Balance (1984)	$-207.2 millions
Balance on Current Account (1984)	$-264.2 millions
Capital Account	$ - 2.8 millions
-Official Capital	$ 61.7 millions
-Banking Capital	$ -57.5 millions
-Private Capital	$ - 5.0 millions
Overall Surplus (+) or Deficit (-) (Before compensatory financing)	$-267.0 millions
Net International Reserves	$ 129.0 millions

EXTERNAL PUBLIC DEBT (1984)

Total External Debt, including Central Bank (long and medium term debt)	$1687.8 millions
as % of GNP	39.2%
Debt Service	$ 262.3 millions
Debt Service as % of Merchandise Exports	34.5%

SOCIAL DATA

Total Population (1984)	4. million inh
Population (1980) in Age Group: (0-14 Yrs) 45.6% (15-64 Yrs) 51.5% (65+ Yrs)	3.0%
Natural Population Growth Rate (1980-1984)	2.8%
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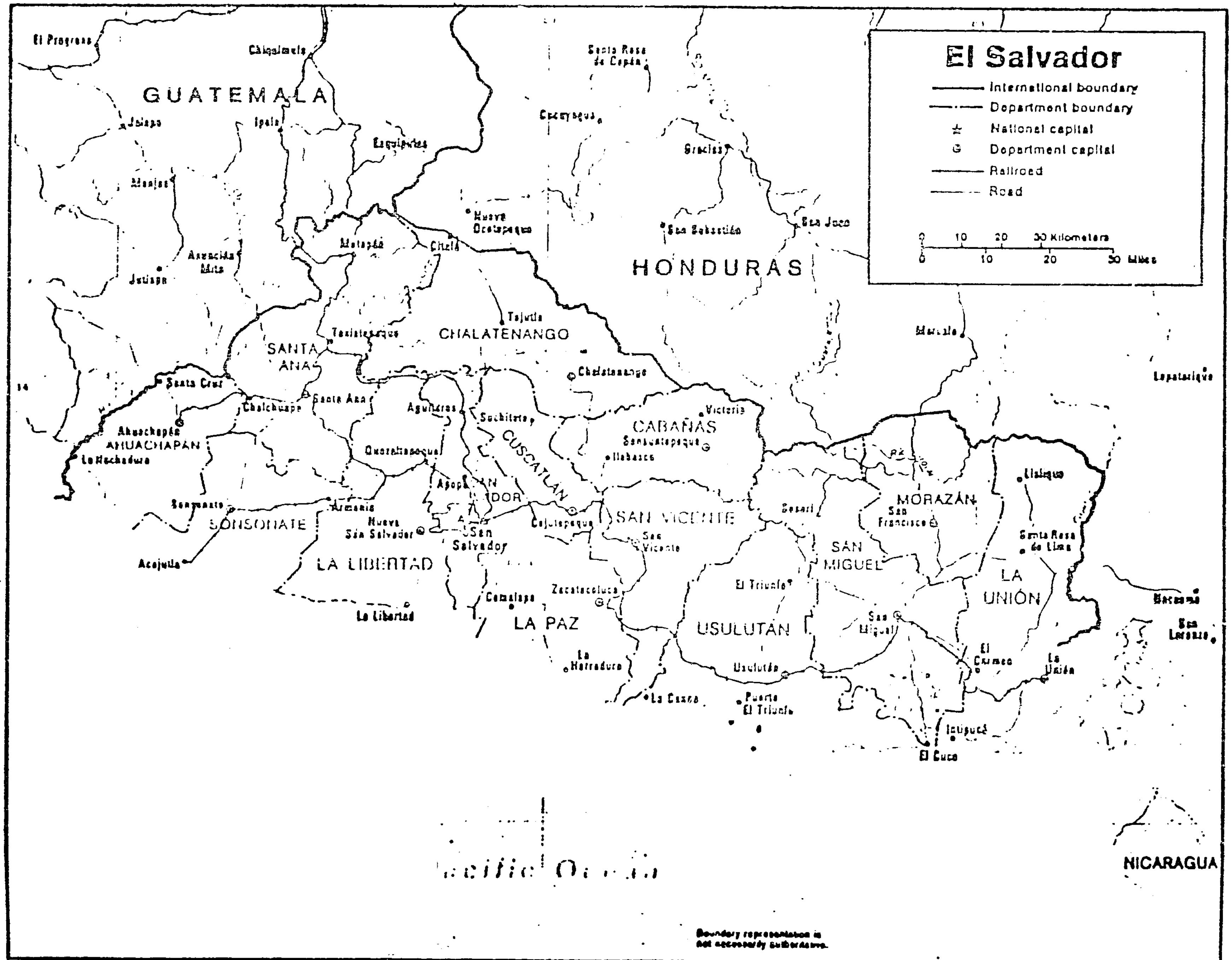
Energy Production (1983)	1600 Million Kwh.
Energy Consumption (1983)	1155 Million Kwh.


El Salvador
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LA PAZ
USULUTAN
SAN MIGUEL
MORAZÁN
LA UNIÓN
Santa Ana
Chalatenango
Sensuntepeque
San Salvador
Nueva San Salvador
Zacatecoluca
Usulután
San Miguel
San Vicente
La Unión
La Libertad
Acajutla
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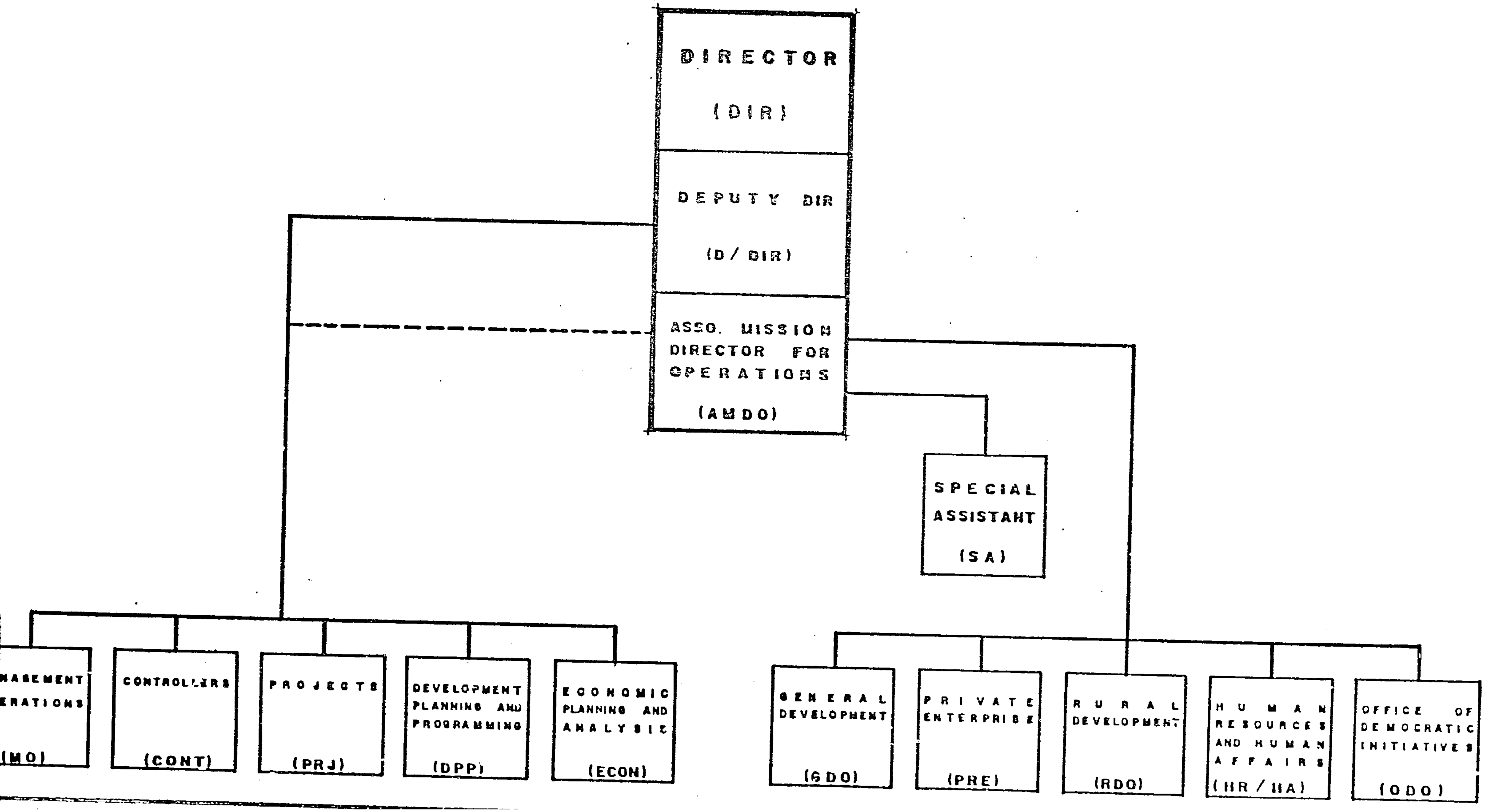
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(ECON)
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(GDO)
PRIVATE ENTERPRISE
(PRE)
RURAL DEVELOPMENT
(RDO)
HUMAN RESOURCES AND HUMAN AFFAIRS
(HR/HA)
OFFICE OF DEMOCRATIC INITIATIVES
(ODO)