

**MID-TERM EVALUATION OF PROJECT 0265
AGRARIAN REFORM SECTOR SUPPORT PROJECT
OF EL SALVADOR**

EXECUTIVE SUMMARY OF THE FINAL REPORT

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MID-TERM EVALUATION OF THE EL SALVADOR
AGRARIAN REFORM SECTOR SUPPORT PROJECT (0265)

EXECUTIVE SUMMARY
OF THE FINAL REPORT

Purpose: This is a midterm evaluation of the El Salvador Agrarian Reform Sector Support Project (519-0265) a three year project that began in September 1983. It assesses AID's and GOES's collaborative efforts toward increasing the efficiency and effectiveness of the agrarian reform (the purpose of the project) including accelerating the land transfer process, improving GOES ability to serve the reform beneficiaries, increasing managerial capacity of the agrarian reform cooperatives, and expanding private sector investments in enterprises directly related to the agrarian reform.

Methodology: The evaluation was done by Clapp and Mayne, Inc. in September-November of 1985 with an evaluation team that included an agricultural economist, a sociologist, a management analyst, and two lawyers. The team interviewed AID and GOES personnel in San Salvador plus managers in 17 agrarian reform cooperatives and 197 agrarian reform beneficiaries.

Key Findings:

1- Land transfer is far behind schedule with Phase One cooperatives having zero definitive titles (September 1985) out of 321, and Phase Three beneficiaries having 3,252 definitive titles (9/85) inscribed in the registry out of 45,000 to be registered by the end of the project. The key problems are the lack of funds to compensate former owners, difficulties clearing liens against the properties, and an obsolete property registration system. AID is supporting efforts to get funds for compensation, to reform GOES legislation regarding the liens, and to shift to a modern "folio real" land registration system and is optimistic about the prospects to solve these problems in time to complete land titling transfers by the end of 1987 if this project is extended to the end of 1987.

2- Social development services to the Phase One cooperatives through ISTA were paralyzed by internal conflicts between the UCS and other campesino organizations competing for the loyalty of the cooperatives and their members. GOES replaced the UCS leaders of ISTA and AID shifted its economic support for the functions not required for titling from ISTA to the Ministry of Agriculture (MAG) where plans were proceeding (in November, 1985) regarding organization and approach.

3-The program for placing professional management in 280 cooperatives (PRODEA) has been well received; 128 cooperatives have managers and 113 have accountants. The cooperatives without managers and accountants generally are the weaker cooperatives with greatest need to become financially viable. The stronger cooperatives have not yet been emancipated from co-management by ISTA.

4- CENTA is providing impressive coverage for extension services to beneficiaries but the unfulfilled demand is substantially greater. 140 extension positions have been filled (out of a life of project target of 140) and 2,368 borrowers groups were formed (compared to the LOP target of 3,500). Approximately 1/3 to 2/3 of the initial LOP targets for improved seeds and fruits have been distributed in the first two years of the project. The four proposed regional committees and 59 local committees have not been created yet but are planned for 1986.

5. CENCAP has trained 37,141 campesino leaders (vs the LOP target of 30,000) and the courses appear to be highly regarded. Demand is substantially higher. Training for 140 extensionists of CENTA has not yet happened and the radio, TV, and pamphlet programs are far behind schedule.

6. ENA (The agricultural school) has added six new professors as planned and 5 new courses (compared to 3 that were planned).

7. The program to stimulate new enterprises through a new unit in the Ministry of Agriculture (REDO) has belatedly led to creation of the REDO unit but no studies nor enterprises have yet emerged (compared to LOP targets of 5 studies and 25 enterprises.)

8. GOES support for the Agrarian Reform is much stronger now under the administration of President Duarte than it was under the ARENA government. The "Social Pact" created a coalition leading to the election of the Christian Democratic party. The campesino organizations got leadership roles in the agricultural sector institutions like ISTA, FINATA, the Ministry of Agriculture and the Bank for Agricultural Development. CARA created a national dialogue on agrarian reform there was great enthusiasm from

September, 1984 to the conference in January 1985; however, CARA has done nothing since then. President Duarte has publicly proclaimed that the land titling must be completed by the end of 1986 but GOES has not mobilized the support necessary to pass the legislation on liens and the land registry nor has it found funds for compensation and overcome cumbersome administrative procedures that slow the process. The Salvadorean constitution provides many safeguards for expropriated landowners and the constitutional government moves more slowly than its non-constitutional predecessors which causes frustration for AID and the campesinos.

9. Funding: The level of funding has been adequate. The procedures for disbursement have been cumbersome leading to long delays (e.g. at FINATA). Lack of funds for compensation of expropriated landowners has been a key problem. Additional funding will be necessary if the project 0265 is to be extended for the end of 1987.

10. Impact on Sector Support Institutions: CENTA and CENCAP appear to be working effectively on their respective tasks today. Demand for extension and training are substantially higher than current operations and substantial expansion of services in the conflict zones appears to be feasible if not oriented toward export crops. The Ministry of Agriculture is moving much more actively to become the leader and coordinator of the program, taking over functions of support from ISTA, starting the REDO office, and continuing the PERA, CSPA, and OCOPROY work.

11. Beneficiary Perceptions: The program providing managers and accountants (PRODEA) is well regarded. CENTA and CENCAP services are appreciated where they are provided and missed where they are unavailable. FINATA is appreciated for help in securing access to the land. Many beneficiaries ("finateros") feel abandoned by the government in their efforts to obtain secure titles to the land, credit, ability to sell their production on a fair basis, etc.

The highest priorities for Phase One beneficiaries were secure employment, access to the land, and secure titles with somewhat lower priority for access to credit, and other services (e.g. medical, literacy, cooperative development). Even lower came technical assistance and finally social programs.

The highest priorities for Phase Three beneficiaries were secure tenure, access to credit, and assessment of the land. The other services came next, generation of employment, technical assistance, commercialization, and access roads. Social programs came last.

12. Technical Assistance: The technical assistance has been relatively well done. Servicios Tecnicos del Caribe (STC) has managed most of the technical assistance, provided a valuable link of continuity during a dynamic period, and provided a team of advisers who are generally respected and appreciated by the GOES organizations they serve. CLUSA has done studies of "carrying capacity" and ISTA/FINATA management.

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CONCLUSIONS

Conclusion 1: Overall Project Status and Prospects:

The Project is behind schedule and will not be able to achieve the original output targets by the September of 1986. It is reasonable to expect that the project will accomplish its major output targets by the end of 1987 if AID approves an extension of the project and provided key assumptions discussed below are realistic.

The target for definitive titles under Phase 3 are estimated at 45,000 which is substantially lower than the 58,000 estimate in AID's monitoring documents. The difference reflects properties that will not be transferred due to exclusions for small landlords who are dependent on the land, defective titles, land in the conflict zones, etc. Actual performance may end up anywhere between 42,000 and 48,000 depending on the actual problems encountered in processing the land documents.

Some of the support systems for the reform beneficiaries can perform substantially the original targets if project 0265 provides continued support for continued distribution of fruit plants, training of campesino leaders, and support for ENA.

The number of new enterprises established with REDO assistance is likely to be 8 rather than the 25 originally anticipated.

Conclusion 2: Necessary Conditions to Complete Land Titling Transfers

2.1 GOES actions to bring new leadership to ISTA and AID actions to support titling activities while removing everything else from ISTA were good management in a tough situation.

2.2 Legislation regarding liens against the expropriated properties is necessary for passing clear titles to many beneficiaries.

2.3 The "folio real" system for land registration is needed to facilitate legal transfers of property.

2.4 Funds compensate expropriated landowners are necessary to complete the transfers.

2.5 ISTA and FINATA will have to work harder which probably will require continued pressure from AID as well as funding of the tasks related to an accelerated titling effort.

Conclusion 3: Necessary Conditions for Providing Support Services to make the Reform Beneficiaries Financially Viable

3.1 The Phase One cooperatives that are relatively strong must be emancipated from co-management ("co-gestion"), promptly returning them to an independent status with government supervision only to protect against abuses and to provide assistance desired by the coops. This will reduce dependence of the cooperatives on GOES and GOES on AID.

3.2 The cooperatives that are not yet strong enough to be emancipated must be weaned as quickly as possible, beginning with the recruitment of managers and accountants, use of the PAU standardized accounting system, and technical assistance to strengthen them economically. Many of the necessary services must come from outside project 0265- credit, marketing, and development of self-confidence.

3.3 Reasonably normal conditions for the agricultural sector are necessary in the reformed sector as in the traditional agricultural sector: no major escalation of violence, reasonable growing conditions, and some progress in reforming the marketing structure to provide adequate prices for all producers.

Conclusion 4: Necessary conditions to stimulate private sector enterprises directly serving agrarian reform beneficiaries.

4.1 There must be profitable opportunities to attract investors. This implies relatively normal conditions regarding violence, growing conditions, prices that are profitable, etc. Government policy must be relatively supportive of non-governmental organizations playing an active role within the agricultural sector and tolerance of a pluralistic structure with a place for campesino organizations, private sector farming, private intermediaries buying and selling, traditional cooperatives, and agrarian reform cooperatives that are freed from government control. This orientation, which may appear to be cliches to some Americans, may not be fully embraced by GOES and other Salvadoreans.

4.2 Support to private investments and stimulation from outside REDO will be necessary to attract substantial investments. A few REDO people doing and managing studies can help but it is not enough.

Conclusion 5: Administrative and Financial Management of the Project must be improved. The procedures today are too slow; the multiple checks by several Salvadorean and AID offices are excessive and unnecessarily burdensome.

**Conclusion 6: Avoiding Excessive Dependence in the
Agricultural Sector**

A key issue for the project today is balancing the desire for rapid progress in supporting the agrarian reform against creating an undesirable and perhaps permanent dependence on GOES by the beneficiaries of the agrarian reform.

A related issue is how to avoid creating an unintended dependence of the GOES institutions on large scale assistance from AID over the medium to long term.

RECOMMENDATIONS

The full evaluation report contains many recommendations and suggestions organized as they fit into the terms of reference. Selected important recommendations follow.

Recommendation 1- Extend Project 0265 to End of 1987.

There is sufficient reason to believe that the project can achieve its main outputs by the end of 1987 if given continued support from AID and given satisfactory legislation on liens, "folio real" and given money for compensation and continued close management by AID and GOES. The outputs continue to be valid and appropriate for achieving the "purpose" of the project - namely to improve the efficiency and effectiveness of the agrarian reform. The agrarian reform still appears to be an appropriate means to the stated "goal" of the project - namely to expand rural employment, increase income, and provide secure titles for the beneficiaries.

1.1 Adjust the Output Targets to Realistic Levels

Adjust the target for Phase 3 definitive titles to 45,000 and other targets to reflect the best available information.

1.2 Ensure that Funds are Available for compensation of Expropriated Landowners

This does not necessarily imply the funds should be provided through project 0265 but the funds must be forthcoming or the targets will not be achieved.

1.3 Continue to press for legislation on liens and the "folio real." Also provide financial and technical assistance as necessary and management pressure to move ahead with dispatch on titling.

1.4 Continue to provide technical assistance for those tasks where outside advisers are necessary to sustain an efficient operation. Also provide TA where it will be helpful for preparing for subsequent initiatives to help El Salvador's rural poor including those who were not beneficiaries of Phase One and Phase Three of the current Agrarian Reform.

1.5 Modify the administrative procedures to eliminate the excess controls and cumbersome procedures that are hampering implementation. Specific suggestions appear in Chapter J of the report.

Recommendation 2- Reconfirm AID's commitment to supporting the Financial Viability of the beneficiaries of the Agrarian Reform.

2.1 Provide continued support to CENTA and CENCAP and ENA to expand their services to "finateros" and other small farmers with similar problems. Support an "integrated approach" which does not try to develop a parallel system serving exclusively the "finateros" at high unit cost while GOES is forced to neglect other poor farmers of the traditional agricultural sector.

2.2 Continue PRODEA and PAU to strengthen the management of the Phase 1 cooperatives. Increase the emphasis on getting good management for the weaker cooperatives, including subsidizing professional managers 100% for the first year.

2.3 Continue to analyze other problems of the agricultural sector that reduce the profitability of the producers in the reformed sector such as the agricultural marketing policies and institutions that reduce the income to Salvadorean producers.

Recommendation 3- Renew AIDs Commitment to Stimulate Enterprises that Directly Support the Agrarian Reform Beneficiaries.

3.1 REDO will be inadequate to make a major contribution to this objective from within the Ministry of Agriculture with a few technicians but REDO will ensure that there is a voice on behalf of the reform sector in decisions about what to study and what to stimulate. AID has other projects (e.g. with FUSADES) also available.

3.2 Do not focus these efforts exclusively on beneficiaries of the agrarian reform. The intent of the reform is not to create a "new elite" among the campesinos and there are many other poor campesinos who also need employment and income generating opportunities that can come from new enterprises and a reactivated agricultural sector.

3.3 Interpret private sector stimulation to include a broad range of non-governmental entities typical of pluralistic societies and agricultural sectors in other countries. Specifically, include privately owned agriculture and agribusinesses of all sizes, intermediary businesses buying and selling to farmers, traditional cooperatives and mixed enterprises that may evolve from the production cooperatives that were created in the Agrarian reform, campesino organizations such as FESACORA, ACOPAI, and UCS, etc. Foster competition among organizations based on providing valuable services for campesinos at reasonable prices rather than being power brokers among political groups.

Recommendation 4: Anticipate the Need for a New Project to follow project 0265.

The broader objectives of project 0265 are to reactivate the agricultural sector of El Salvador and support a more equitable distribution of income and opportunities. AID support for the beneficiaries of the agrarian reform through 0265 is creating opportunities but there may be problems if there is no further AID assistance after 0265.

4.1 Expanding CENTA, CENCAP, ENA, etc makes good sense if they will have funds to continue serving the agricultural sector after the end of 0265. GOES is in a period of austerity now and is not likely to have funds to sustain them in 1988 despite the need for their services. AID can support a transition period for reintegration of the reformed and traditional parts of the agricultural sector to give GOES a chance to increase revenue or make other adjustments; the alternatives are slowing down now before the targets of 0265 are achieved or setting up a potential crisis situation for 1988.

4.2 ISTA and FINATA plans must be made for the period after 0265. Both institutions receive major AID assistance for their roles in land titling under Phases 1 and 3 respectively. These roles will come to an end in 1987; new roles should be developed and blessed, such as expediting the acquisition of land by other campesinos, or an orderly phase-out should be planned.

4.3 Reactivate CARA if possible to serve as a forum for constructive dialogue and policy discussions about the agrarian reform and the future of the agricultural sector. Attention should be focused on the "consolidation" of the agrarian reform, taking into consideration the legitimate concerns of the interested parties. Attention should be given to the concerns of campesinos who are beneficiaries of the reform's Phase 1 and Phase 3 and attention should also be paid to those who did not benefit directly.

TABLE A-1. TARGETS FOR THE PROJECT FOR 1986 AND 1987

ACTIVITIES	INITIAL TARGET 1/	ACHIEVED BY SEPTEMBER OF 1985	P R O J E C T E D 1986	1987
I. LAND TRANSFERS				
PHASE ONE				
-Acquisition process completed	389	277	467	467
-Titles adjudicated to coop	315	126	321	321
-Definitive titles registered 2/		0	321	321
PHASE THREE				
-Provisional titles	75,000	65,712	65,712	65,712
-Acts elaborated 3/	41,000	15,835	25,000	45,000
-Definitive titles registered	41,000 2/	3,252	20,000	45,000
II. SUPPORT SERVICES				
A. ADMINISTRATION				
-Managers	280	128	218	280
-Accountants	280	113	203	280
B. TRANSFER OF TECHNOLOGY				
CENTA: Regional committees	4	0	4	4
CENTA: Local committees	59	0	59	59
CENTA/CENCAP/ENA: NEW EXTENSIONISTS	140	140	140	140
CENTA: Non-traditional packets 4/	40,000	0	0	0
Basic grain seeds -lbs.	11,700	4,480	8,480	12,480
Fruit & Vegetable Seeds -lbs.	11,100	6,374	8,374	10,374
Fruits & plants - units	600,000.	439,000	639,000	839,000
CENTA: Campesino groups	3,500	2,368	2,918	3,468
C. TRAINING AND COMMUNICATIONS				
CENCAP/ENA: New extensionists trained	140	0	80	140
CENCAP: Campesino leaders trained	30,000	37,141	59,141	81,141
CENCAP: Radio programs	700	56	80	180
CENCAP: TV programs	50	10	10	30
CENCAP: Pamphlets & other materials	80	40	66	84
ENA: New professors	6	6	12	12
ENA: New courses	3	5	10	10
III. AGROINDUSTRY				
MAG: New entity - ODER	1	1	1	1
Feasibility studies completed	5	0	5	10
New enterprises established	25	0	3	8

1/ Project Paper for 0265, page 161

2/ Not from the project paper; these are land titles inscribed in the Property Registry

3/ These are "acts of adjudication;" source: Arnoldo Flores of USRID Rural Development Office, January 22, 1986.

4/ Replaced by the three following indicators.