

PN-AAY-785

AN ASSESSMENT
OF SELECTED ISSUES AND DEVELOPMENT
RELATED TO THE INSTITUTE OF LANDS AND COLONIES

Prepared for:
The Agency for International Development
San José, Costa Rica
. Pursuant to USAID/CR P.O.No.111-82

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April 30, 1982

I. INTRODUCTION

The purpose of this report is to provide an assessment of selected issues and developments related to the activities of Costa Rica's Institute of Lands and Colonization (ITCO), the USAID Loan No. 515-T-034 to ITCO (Agrarian Settlement and Productivity), and to summarize the insights gained through this process as they might contribute toward determining the feasibility of an expanded program with ITCO. This report, in response to a request from AID's Costa Rican Mission, is based on a review of written materials concerning ITCO and Loan 034, field visits to several ITCO colonies in the Atlantic Region and interviews with ITCO personnel, ITCO project beneficiaries, and Ministry of Agriculture, National Bank of Costa Rica, and USAID personnel. The GOCR personnel contacted included both current officials as well as key figures selected to assume responsibilities under the new Administration scheduled to take office next month.

Section II of this report focuses on ITCO as an agrarian reform agency, with brief assessments of its internal organization, its human and financial resource base, the effect of recent legislation, and the implementation capability of the agency. The latter assessment not only addresses ITCO's potential for expanding its current magnitude of operations, it also provides a comparison of ITCO's implementation capacity with that of two other similar institutions which have received recent AID support in their agrarian reform programs, those of El Salvador and Bolivia. A summary of the interview held with the incoming Executive President of ITCO is reported upon in Section III. An executive summary of

recommendations regarding the wisdom of expanding current AID activities with ITCO in the near and long term is provided in Section IV.

Attachments A and B respectively are a copy of the April 15, 1982 law transforming ITCO into the new Instituto de Desarrollo Agrario (Institute of Agrarian Development) and a map showing the location of all present and planned ITCO settlements with related data on the number and distribution of ITCO personnel in the respective regional offices.

Given the size of maps necessary to reflect in a useful manner the distribution and number of affected properties, these are not attached to the main body of this report but have been delivered to the Rural Development Division of USAID/CR. It should be noted, also, that no summary of the interview with the outgoing Executive President of ITCO is included herein, as the discussions dealt with no issues directly related to the substance of this report.

II. THE INSTITUTE OF LANDS AND COLONIZATION

A. Internal Organization

ITCO is an autonomous agency of the Costa Rican government charged with the responsibility of executing the agrarian reform policy of the country. It is governed by a seven member board of directors appointed by the Cabinet. One of these appointees, and the only full-time officer of the board, is the Presidente Ejecutivo who also serves as the chief executive officer of the agency. The board also appoints a general manager, the Gerente General, which has tended to frequently result in an unnecessary layering of responsibility at the chief executive officer's level. Fortunately, this position has been abolished in the new legislation as noted below.

Currently ITCO is structured, under the immediate direction of the Presidente Ejecutivo, in three principal management units: planning, administration, and operations. Planning, in addition to budget preparation, is responsible for program and project formulation, evaluation and statistics. Administration encompasses primarily the agency's legal, titling, and financial management offices, as well as those for communications, transportation, procurement and public relations. The operations unit, which in turn has both regional and project specific offices located throughout the interior, shoulders the principal task of carrying out the plans, programs and projects approved by the institution.

ITCO is completing twenty years of operations in 1982. Particularly in the last eight to ten years, both the character and scope of its operations have broadened very considerably. Concurrently, it has had to continuously employ additional personnel and adjust its internal structure to more effectively address its expanding role. More recently, in addition to modifications effected at the central offices in San José, ITCO also modified its overall institutional structure with the creation of a series of regional offices. Other modifications could easily follow with the entry of a new Executive President on May 8 and changes in the Board of Directors on June 1.

The time available for this observer to assess the internal operations of ITCO at the various levels has been minimal. On the other hand, it has not been difficult to reach the conclusion that the key to increased effectiveness in ITCO at this point lies far beyond the question of any major surgery on its already relatively good organizational structure. The real question involves what is required to make more of

the people - and particularly more of the key people - within that organization more effective.

There are many very positive aspects about this institution and its personnel which are reflected in other sections of this report. The purpose of the following observations, however, is to identify some of the perceived major obstacles currently precluding the agency from achieving an even more productive output with the resources at its disposal and from being recommended for the assumption of additional tasks at this point in time. First, there appears to be a lack of adequately defined goals, objectives and priorities, which in turn seriously impede the entire planning, programming and budgeting process. Secondly, the process of operational planning is woefully weak. This, in turn, is reflected in the rather widespread practice of excessive improvisation by those who are achievement oriented. Thirdly, the implementation process appears to be hindered all too frequently by the lack of adequate coordination and cooperation between the component units of the central office, and between the central office and field units. Instead, these activities often involve a "brokering" procedure between the respective units and a decision making process that is based more on power and special interests rather than common goals and carefully collected information. How then, if these admittedly subjective observations have any significant degree of substance, has the 034 Project made the recent progress which it has? The answer is that its implementation has been increasingly guided around the system rather than through it. However admirable this achievement orientation of the current ITCO Project Manager - and no comments made herein should be construed as a suggestion for his removal - the nature of his chosen

means, which also by-passes the regional office, is inconsistent with the institutional development characteristics inherent in the overall 034 project. By the same token, this issue serves to underscore this observer's conclusion that no general expansion of the current loan project with ITCO should be considered at this time. The effect undoubtedly would be to prematurely overload the respective units and result in a repetition of the haltering and slow process which has marked the initiation of the current 034 Project. Instead, some of the new management tools, training, and corrective measures encompassed in selected components of the current project should be given time to begin their contribution toward improving the overall efficiency with which the agency operates.

B. Human and Financial Resources Base

At this point in time, approximately one and one-half years into the implementation of the 034 Project, it would appear to be a reasonable assumption that the project requirements on the human and financial resource availabilities within ITCO will be reasonably well met. A serious deepening of the current economic crisis could indeed render this prognosis in error. A similarly positive assumption would also appear appropriate relative to a follow-on project with the institution. However, it should be noted that a complete analysis and up-date of all accounts receivable and a determination as to the recuperation of capitalized costs is probably overdue in terms of being a desirable routine on a regular basis for agrarian institutions of this nature.

In terms of ITCO's human resource base, it has been estimated that of its 1000 plus employees approximately 35% are professionally or vocationally trained, and that about 30% have been with the agency for

five years or more. Considering that only 50 or so additional personnel were all that ITCO projected as necessary to carry out the entire 034 Project, it would not appear unreasonable to assume at least half of these could be transferred into the Project from activities of a lesser priority and that no more than 25 new employees would be required. These magnitudes should pose no serious problems for the agency, particularly in view of the fact that about half of these positions are scheduled to be in the field. While there was a very serious internal budget constraint on ITCO in 1981 and no new employees were hired for the Project, the field activities are just now getting underway in the first and second quarters of 1982. Costa Rica has been generally well blessed with a larger cadre of trained technicians than many of its neighbors and should encounter no serious problems from a supply standpoint in adequately staffing its priority program needs.

ITCO's budget for 1981 totalled approximately 235 million colones, of which 19.7 million represented direct ITCO counterpart to the 034 Project and 140 million colones the projected loan reimbursable expenditures. Essentially none of the loan funds were drawn down and a final summary of the counterpart allocation is still outstanding. There appears to be little evidence, however, that the shortage of funds in 1981 had an adverse effect on the 034 Project.

The budget for 1982 totals 291 million colones with 30 million colones allocated as the ITCO counterpart to the 034 Project and 101 million projected as the loan financed expenditures. The lack of a breakdown on ITCO's counterpart expenditures in 1981 precludes a comparative analysis with the projected expenditures for 1982. However, even if they

were seriously underestimated, the "windfall" increase in ITCO's income for the last half of 1982 as a result of the April 15 legislation would easily provide good grounds for making the necessary adjustments. In the same manner that this new legislation provides an assurance of adequate ITCO financial resources for the Project in 1982, it would appear that good financial management and forward planning could also insure reasonable levels of counterpart availabilities over the next few years.

C. Effect of Recent Legislation

A new legislative bill transforming ITCO into the Instituto de Desarrollo Agrario (Institute of Agrarian Development, IDA) became effective on April 15, 1982. Its principal effect on the agency, other than changing its name, will be to increase its financial resources. In addition to an increase from the sales taxes on cigarettes, beer, liquor and carbonated beverages, the new law authorized a bond issue of 250 million colones (approximately 5 to 6 million dollars at current exchange rates) and increased IDA's participation in a general revenue sharing category of central government transfers to assist low income families (Asignaciones Familiares). For the balance of 1982 IDA has projected its increased income from the first and third of the above measures as approximately 31 and 46 million colones respectively. Relative to the internal organization of IDA, the law deleted the position of Gerente General, as previously mentioned, and alters the composition of the Board of Directors to include one member in representation of the agency's beneficiary group. Other aspects of the new law which modify the original organic law of ITCO passed in 1961 appear to be of negligible significance.

D. Comparison of Implementation Capabilities

A comparison of ITCO's implementation capabilities with those of its counterpart institutions in El Salvador and Bolivia has been requested for inclusion in this report. To a certain extent this unfair to the respective personnel and institutions as it can be reasonably well defended that politicians are more responsible for what occurs within the field of agrarian reform than the respective agencies. There are, of course, also the isolated cases of sudden and massive adjustments in a land tenure system which have occurred, as in the case of Bolivia in the early and mid-1950's, where neither politicians nor governmental institutions played a significant role. Such a comparison of capabilities, which is normally rather heavily weighted on the respective record of accomplishments, is also complicated by the fact that, aside from the level of commitment and resource flows available from the political power structure, the nature of the tasks assigned to the respective entities has been quite dissimilar.

If we take the past twenty years as our basic frame of reference, the major programs of the Bolivian agency have been on titling in the highlands and the settlement of state owned properties in the country's lowlands. In the case of El Salvador it has involved the acquisition of large farm holdings, through both voluntary sales and expropriation, and their co-management with the respective campesino beneficiary groups in a form of joint venture cooperative enterprise. Prior to the past four-five years these properties had traditionally been parceled or rented out to the beneficiary group on an individual basis. More recently the El Salvador program also has been expanded to include a "land-to-the-tiller" component designed to transfer ownership of rented lands to the small

cultivator class. In Costa Rica the related programs have covered directed colonization in the remote areas of the country; a heavy emphasis on titling, especially as related to squatters on both public and private lands; the purchase of larger farms in developed areas and their parcelization to both individual and cooperative groups; a short period of promoting self-managed comunal enterprises; and more recently a focus on the development area approach.

The ranking of the three agencies as follows is subjective of course. In the case of El Salvador's Instituto de Transformación Agraria, it should be noted that it has been involved in a very vigorous new program over the past two years which undoubtedly has impacted on its implementation capabilities. On balance however, it still would not alter its relative position. Accordingly, the respective order in terms as noted above would place the Costa Rica agency at the top of the list, followed by El Salvador and then Bolivia.

The Costa Rican entity is undoubtedly one of the better agrarian reform agencies in Latin America. Among the three dealt with herein, it has rather consistently had more favorable evaluative material written about its performance. It has dealt with more intensity on a broader range of program activities, has reflected a greater propensity for self-appraisal and learning from its own experiences, and it appears to reflect better insights into the problems of its intended beneficiary group. In relative terms, it has also been able to retain a higher percentage of its experienced staff and to assist its beneficiary group achieve a higher level of independence from its institutional support.

The El Salvadoran agency ranks second in terms of experience with a broad range of program approaches and a poor second to Costa Rica in its effectiveness in helping the beneficiary group achieve independence from the parent sponsor. It has to be seriously faulted for its lack of fostering objective evaluation and a to-be-expected failure to capitalize on its own experiences for program modifications and adjustments. Although it fosters a high level of close relationships with its target group, it fails to do as good a job as Costa Rica or Bolivia in sharing the related decision making process.

Bolivia is ranked last in this group relative to its implementation capabilities. In all fairness to the agency, most of the reform process had already taken place when the agency came into being. Quite appropriately then, its principal experience has been focused on an early and large titling program to legalize a distribution of lands that had already occurred, and subsequently on support to a large spontaneous migration process into the country's lowlands. The demands on the agency have thus been minimal, its personnel turnover has been very high and there has been little evaluative work of substance which has addressed the impact of the agency on its beneficiary group.

III. SUMMARY OF INTERVIEW WITH INCOMING EXECUTIVE PRESIDENT

The newly designated Executive President of IDA, Lic. José Manuel Salazar Navarrete, has served in that position on two previous occasions. Both periods, from about 1963 to 1966 and about 1975-78, appear to reflect times of relatively high effectiveness on the part of ITCO. The first involved the agency's initial focus on colonization in largely remote areas; the second involved the far more broader range of activities which

are characteristic of the current program emphasis.

An economist by training, Lic. Salazar has also worked for the Banco Nacional de Costa Rica and taught economics at the University of Costa Rica. He is very articulate, reflects a genuine conviction of the important role that IDA has and can exercise in the socio-economic development of the country. He indicated that the new Administration was keenly interested in land distribution as a part of the solution to the problems of Costa Rica's rural areas, desirous of fostering and supporting development of the small farmer throughout the developing areas of the country, and, in recognition of this high level of interest, had granted him ministerial rank concurrent with his appointment.

In response to an inquiry concerning his projected program emphasis, he identified both land distribution and a new focus on the consolidation of older colonies. In layman's terms the latter refers primarily to the process of putting into place the necessary infrastructure - both physical and supporting services - to enable the colonies to move beyond a heavy dependency on the parent institution for self-sustaining development. In all the related activities he indicated that the practice of distributing land in individual parcels would be the standard mode in keeping with the desires and tradition of the Costa Rica campesino. If, however, they chose a cooperative approach, this in turn would be supported despite its higher cost both in financial resources and technical assistance. As related to the 034 Project, it was made quite clear that he was strongly convinced that the credit component could be effective only if it was entirely under the control of IDA. His position was predicated on his experience both in the banking sector and at ITCO. His contention was

that the banking sector simply could not respond in a timely and effective manner to the unique characteristics of the colono and his related conditions.

IV. EXECUTIVE SUMMARY OF RECOMMENDATIONS REGARDING WISDOM OF EXPANDING AID ACTIVITIES WITH IDA.

In Central America the country meriting the current distinction for having the highest degree of inequitable land distribution within its agricultural sector may well be Costa Rica. It has also become increasingly true that when the system of land tenure in a predominantly agricultural country fails to provide the common cultivator with a reasonable reward for his efforts, it stands for economic, social and political instability in the countryside and very often - and by the same token - in the country as a whole. These statements are not meant to reflect an alarmist attitude. They do, however, suggest that serious minds concerned with the direction of and support to the economic, social and political development of Costa Rica might well devote increasing attention to the development and implementation of a more aggressive and clearly defined agrarian policy for the nation. This is not to suggest that the efforts of ITCO have been misdirected in the past, nor is it a call for a major restructuring of land ownership patterns. It does, however, reflect the perception of a critical need for a more aggressive developmental focus to the activities of IDA. The growing problems of a rapidly diminishing agricultural frontier and the need for improving the participation of the small farm sector, both as contributors to and as beneficiaries of the development process, call for no less. The requirement set forth in Annex I of the 034 Loan Agreement under Section II.C.3 for the preparation of both a

medium and long range program and strategy for the Institute provides an excellent opportunity for IDA to address these issues. The fulfillment of this requirement should be actively encouraged and energetically supported. Its product should provide very important guidance as to the type and magnitude of AID support appropriate for the long term.

For the near term, IDA currently has a broad range of undertakings, many stemming from its 034 Project, which have not been adequately managed to date. This condition may be largely a result of exogenous factors - a lame duck administration, cash flow problems related in part to the nation's economic crisis, the effect of political pressures buffeting the region, etc. Internally, there appears to be a very considerable but largely dormant potential in the agency that of recent simply has not been adequately organized, motivated and led forward in its responsibilities. The agency periodically demonstrates considerable capacity and it has not suffered that serious a loss of its more experienced and better personnel. However, it would not appear prudent in the immediate future to undertake an expansion of AID activities with IDA until that agency demonstrates an increasingly effective absorption of the grant and loan resources currently available, an adequate increase in its own financial resources which can flow to the support of new activities beyond the 034 Project, and the impact of the strong and positive leadership anticipated from its new Executive President. Once these conditions are satisfactorily met, AID might well be advised to offer incremental assistance in selected activities where the related IDA implementation process would not detract from the sustained effort which will be required over the next two to three years to satisfactorily achieve the land settlement and colonization goals of

the 034 Project in the Atlantic Zone. During this interim, an appropriate series of selected activities might include titling and cadastré work in other priority areas - if not nation wide, consolidation activities in selected older colonies, and the identification, study and planning of future project development areas.