

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Operational - Development - Land Reform - Correspondence - Volume 3

Folder ID: 30132318

Series: Operations Policy and procedures

Dates: 12/29/1961 - 08/16/1965

Fonds: Central Files

ISAD Reference Code: WB IBRD/IDA ADMCF-04

Digitized: 05/25/2022

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

~~RETURN TO~~
~~OPERATIONAL FILES~~

DECLASSIFIED

WBG Archives



TO RE-ORDER SPECIFY
No. 86163 Folder
MADE IN U. S. A.

RETURN
RECORDS CENTER
PRE 1966 MATERIAL
BOX NO. 854

The World Bank Group
Archives



30132318

A1994-038 Other #: 24 Box # 183999B
Operational - Development - Land Reform - Correspondence - Volume 3

RETURN TO RECORDS CENTER
CONTAINS ONLY
PRE 1966 MATERIAL

Box 2 (P+P)

DEVELOPMENT

LAND REFORM

VOL. III

THIS FILE IS CLOSED AS OF
DECEMBER 1965.
FOR FURTHER CORRESPONDENCE SEE:
1966 - 1968.

RECORDS MANAGEMENT SECTION
February 1969

August 16, 1965

Sir:

On behalf of the President I am writing to acknowledge your invitation dated 30 July 1965 to the International Bank for Reconstruction and Development to be represented at the Development Center on Land Policy and Settlement, which will be held in Tripoli from 16 to 28 October 1965.

We much appreciate your kind invitation but I regret to inform you that, owing to other commitments, it will not be possible for us to send a representative to this Meeting.

Very truly yours,

Lewis Perinbam
Liaison Officer
Development Services Department

The Director-General
Food and Agriculture Organization
Via delle Terme di Caracalla
Rome, Italy

cc: Mr. Reid - Rome
Mr. Burney - Addis Ababa
CENTRAL FILES with incoming correspondence

LP:mar

ORGANISATION DES NATIONS UNIES POUR
L'ALIMENTATION ET L'AGRICULTURE



ORGANIZACION DE LAS NACIONES UNIDAS
PARA LA AGRICULTURA Y LA ALIMENTACION

FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Via delle Terme di Caracalla ROME

Cables: FOODAGRI ROME

Telex: 61181 FOODAGRI

Telephone: 5797

Ref.

G/TE-X/61(b) (RU)

30 July 1965

Invitation to the Development Center on Land
Policy and Settlement for the Near East Region,

Tripoli, Libya,

16-28 October 1965

Reply requested by 31 August 1965

The Director-General of the Food and Agriculture Organization of the United Nations presents his compliments and has the honor to invite representation at the Development Center on Land Policy and Settlement which, at the kind invitation of the Government of Libya will be held at Tripoli from 16 to 28 October 1965. The provisional prospectus, containing the general arrangements, is attached.

...

The purpose of this Center is to provide an opportunity for participants to discuss land problems and policies in the Near East, particularly those relating to new land settlement areas. The discussion

/...

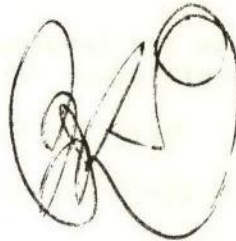
Mr. George D. Woods
President
International Bank for Reconstruction
and Development
WASHINGTON

*Leon. Messers. Penumbra
Ed Emory
Evans*

ack. Aug 16/65

will aim at drawing conclusions and lessons from the experience of participants from the countries of the region, with a view to assisting Governments in developing their future programs.

The Director-General would appreciate knowing at an early date, and by 31 August 1965 at the latest, the name and title of the representative appointed to attend.



Mr. George H. ...
President
International Bank for Reconstruction
and Development
WASHINGTON

1965 AUG -9 PM 2:49

RECEIVED
GENERAL FILES
COMMUNICATIONS

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

DEVELOPMENT CENTER ON LAND POLICY AND SETTLEMENT FOR THE NEAR EAST

Tripoli - Libya, 16 to 28 October 1965

PROVISIONAL PROSPECTUS

The Twelfth Session of the FAO Conference recommended that FAO, under the Expanded Program of Technical Assistance, should organize a Land Policy Center for the Near East Region, with the emphasis on new settlement areas. At the kind invitation of the Government of Libya, the Center will be held at Tripoli, Libya, from 16 to 28 October 1965. This will be the second Center on Land Problems and Policy to be organized in the Near East region, the first one having been held in Salahuddin, Iraq, in 1955.

Scope and Objectives

The main objective of the Center is to provide an opportunity for participants to discuss land problems and policies in the Near East, particularly those relating to new land settlement areas. The discussion will aim at drawing on the experiences of the countries in the region with a view to assisting governments in developing their future programs.

The importance of agriculture in the participating countries needs no stressing, since in all of them it provides employment for one-half to four-fifths of the population, and in nearly all, it is the sector making the greatest single contribution to the national economy. The development of agriculture is also closely linked to the type of land tenure and related rural institutional organization. Improvements in tenure systems and carrying out measures in settlements and land reform can, therefore, greatly help in raising the national income and improving the living conditions of the farming people. More specifically, the settlement of new land may have a profound effect on the future development of agriculture and its contribution to the national economy.

In the Near East several countries have already adopted measures on land settlement, resettlement and land reform designed to promote the proper use of agricultural resources and to improve the economic and social position and security of the cultivators. The Center will offer an opportunity for examination and comparative study of these measures and an analysis of valuable experience gained, particularly in the field of land settlement. The Center will promote a clearer understanding of the nature of land problems in the region and of the implications of the various land programs undertaken so that the participants, who are expected to be senior Government officials, will be better equipped to make an effective contribution in preparing or administering effective land policies in their respective countries.

Tentative List of Subjects for Discussion

The following proposed topics will be considered at the meeting in four different forms: presentation of project statements by Government participants; papers prepared by the staff of FAO and the participating international

organizations; discussion in study groups; and organized debate by selected panels. Distribution of the topics among the different forms will be indicated in the agenda.

1. The strategy of land problems and policies in the economy of the Near East.
2. Planning of new land settlements:
 - (a) Resource surveys and basic information required;
 - (b) Measures for enlisting the participation of settlers to reduce initial costs and public investment;
 - (c) Dispersed settlements vs. village settlements in planning the layout of new settlement schemes; and the problems of infrastructure (communications, public service);
 - (d) Problems in planning land settlement programs and their integration in the overall development plan of the country.
3. Special problems encountered in the settlement of nomadic and semi-nomadic population:
 - (a) The nomads and land development projects: effects of nomadism (Bedouin way of life) on land use and production, including grazing and animal production;
 - (b) Problems in water use in arid areas where water is governed by customary arrangements;
 - (c) Tribal organizations as social institutions in determining the settlement of Bedouins.
4. Legal aspects in transferring land titles and in the distribution of water rights to beneficiaries.
5. Problems of land cadastral surveys and land registration.
6. Problems of size of holdings in the creation of new farming units and measures to overcome them.
7. The role of institutional services (credit, agricultural extension, cooperatives, marketing) as supporting measures for land settlements and land reform.
8. Administrative and financial problems in operating land reform and land settlement programs.
9. Necessary measures required and special problems faced in setting up well integrated rural communities in land settlement and land reform programs.
10. Alternative land tenure systems and farm organization in planning land settlement and land reform policies (individual family farms, cooperative farms and State farms).

11. Research and evaluation of land reform and land settlement programs.

In addition, Governments' participants at the Center will present statements on selected and specific aspects of their respective Government's land policy which would be of interest to the meeting.

Participation

The following countries will be invited to designate nominees: Afghanistan, Algeria, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Pakistan, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Turkey, United Arab Republic and Yemen.

It is highly desirable that the nominees should be senior officials of those branches of the Government concerned with land policy, land settlement and agrarian reform or should be from the staff of universities active in this field, and thus be qualified to deal with one or more major items of the agenda.

The United Nations Bureau of Social Affairs in New York, International Labour Office (ILO), World Food Program, United Nations Educational, Scientific and Cultural Organization (UNESCO), International Bank for Reconstruction and Development (IBRD), and the League of Arab States will be invited to send representatives. It is expected that some of these agencies will provide highly qualified staff members to participate in the Center.

International Non-Government Agencies which operate in the region, such as the Near East Foundation and Ford Foundation will also be invited to send observers.

National organizations engaged in research and training in land settlements and related fields such as the Institute of Land Reclamation and Improvement at the University of Alexandria will also be invited to send observers.

Organization of the Center

The Center will last for a period of 12 days, from Saturday, 16 October, through Thursday, 28 October 1965.

In the morning, the program will consist of plenary sessions with the participation of the entire group (staff, participants and observers). A small number of papers will be presented each morning and the group will review a few specific selected land problems and programs on a country by country basis. Ample time will be provided for discussion, questions and comments on the issues presented. In addition, two panels for organized debate will be set up to discuss topics of a controversial nature.

In the afternoons participants will be divided into smaller groups to study special topics more intensively and deeply. These discussion groups will meet for two or three consecutive afternoons and their reports will be presented to the plenary session. It is expected that two field trips will be organized by the host country, which will illustrate the implementation of programs relevant to the subjects of the Center.

The functioning of these activities is planned as follows:

a) Country Project Statement. During the plenary sessions each country will present a country project. These projects are studies of important land programs of particular importance in the country concerned and falling within the scope of the Center. As far as possible, country projects will be grouped according to major types of land policies and problems in order to facilitate discussion and comparative analysis.

b) Papers. A limited number of papers will be given by the staff of the Center and by specially appointed consultants. These papers are to review in broad terms the overall problems under consideration, and are intended partly as "thought-provoking" contributions and partly as a means to sift out and clarify the major issues to be discussed by the group. Each paper will be approximately 30-40 minutes long, followed by an open discussion period of approximately one hour.

c) Panels. This organized debate features a panel of four or five members with a coordinator, who introduces the topic and acts as chairman. Each panel member makes a brief statement in his special field, then the discussion will be opened to the floor. At the end, each member of the panel will have an opportunity to give a summary statement.

c) Discussion Groups. It is hoped that these study groups will become the "heart" of the Center with the emphasis on intensive, free and informal exchange of experiences and ideas. A total of six discussion groups will be organized, three per week. This activity will take up most of the afternoon sessions. The discussions in each group will be coordinated by a chairman and a rapporteur selected from among the Center's staff and the participants. Each group's conclusions will be presented to the entire Center in a plenary session.

The official languages of the Center will be English and French, and participating Governments will be asked to ensure that their participants have a working knowledge of one of these languages. Efforts will be made by the host country to provide some interpretation and translation assistance in Arabic.

Administration

The host country will make available the Director of the Center, secretarial and related assistance staff. FAO will provide the Co-Director who will also act as the Secretary-General of the Center. They will be assisted by Consultant-Discussion Leaders and by a Secretariat jointly provided by the host Government and FAO. Requests for further information should be addressed to:

Dr. M. Riad El Ghonemy
Co-Director, Development Center on Land
Policy and Settlement for the Near East Region
Rural Institutions and Services Division
Food and Agriculture Organization of the United Nations
Viale delle Terme di Caracalla
Rome, Italy

(Cables: GHONEMY FOODAGRI ROME)

Staff

FAO Staff will consist of specialists in subjects to be dealt with in the Center, and a number of highly competent consultants specially recruited for the duration of the Center. Part of the FAO personnel will be from FAO Headquarters and the rest from the FAO Regional Office in Cairo, as well as some FAO experts in land settlement, land reform and related fields who are already working with countries in the region. Representatives from international organizations will also constitute part of the professional staff of the Center.

FAO will provide from FAO Headquarters the Administrative Officer and a Bilingual-Secretary.

A provisional agenda and a complete list of the professional staff of the Center will be issued at a later date.

Dear Land Reform.

April 27, 1965

Professor Philip M. Raup
Department of Agricultural Economics
Institute of Agriculture
University of Minnesota
St. Paul, Minnesota 55101

Dear Philip:

Thank you for your letter of the 20th and the paper "Land Reform and Agricultural Development." I have read it with a great deal of interest and have made extensive comments in pencil all through the manuscript. I thought it would be easier to send it back to you in this way rather than to try and dictate off the whole series of timely comments. I am hoping, however, that you will let me have a copy of this or a further draft which I may keep.

In haste, I am

Most sincerely,

P. F. M. McLoughlin
Projects Department

enclosure

PFMcL:eob

CROSS REFERENCE SHEET

COMMUNICATION: ~~RECEIVED~~ Memo

DATED: Nov. 3, 1964

TO: Economists, Western Hemisphere Dept.

FROM: Mr. de Vries

FILED UNDER: LATIN AMERICA - Inter-American Development Bank

SUMMARY:

IADB Lunbh time seminars on Agricultural reform

August 13, 1964

Dear Mr. Rooth:

July 18
Thank you for your letter, which was mailed on August 9, enclosing two memoranda prepared by you. I am leaving Washington this afternoon on the first stage of some overseas visits which I shall make before our Governors' Meetings in Tokyo. I shall take your memoranda with me and I am grateful to you for sending me your views on these important subjects. ✓

I am sorry that we shall not have the pleasure of seeing you in Tokyo but, of course, I entirely understand.

Kind personal regards.

Sincerely,

(Signed) George D. Woods

George D. Woods

Mr. Ivar Rooth
3, Norrviksvagen
Lidingo 3
Sweden

GCWishart:ml *W*

Dear - World Land Bank

August 11, 1964

Dear Mr. Patton:

I am replying to your letter of August 3 in which you say you would like to talk with me about the possibility of establishing a World Land Bank Credit Division of the International Bank.

I am sorry to say that I shall not be in Washington on any of the dates on which you plan to be here. I am leaving this week on a trip which will take me to Tokyo for the Bank's Annual Meeting early in September and shall not be back until the latter part of that month. The Bank as a whole is engaged in preparations for that meeting, and I would therefore suggest that any visit to the Bank take place during your September trip to Washington. In my absence, Messrs. David Gordon, Assistant Director of the Development Services Department, and Lionel J. C. Evans, Chief of the Agriculture Division of the Technical Operations Department, will be pleased to meet with you then. If you will write or call either of these gentlemen, a time can be arranged which suits your convenience.

Sincerely yours,

(Signed) George D. Woods

George D. Woods

Mr. James G. Patton
President
National Farmers Union
1575 Sherman Street
Denver 1 - Colorado

cc: Mr. David Gordon
Mr. Lionel Evans

SEB SEB/RHD/jk
August 10, 1964

Mr. Croyle Pl. mention this at
our next staff meeting. We ought
to get thinking about this before
Mr. Pelton comes. Suggest get
discussion and views from *Strops, Courbris,*
Tokohashi, Schoefel, Kluett, Andersen.

August 11, 1964

h/JP
VIII-11

Dear Mr. Patton:

I am replying to your letter of August 3 in which you say you would like to talk with me about the possibility of establishing a World Land Bank Credit Division of the International Bank.

I am sorry to say that I shall not be in Washington on any of the dates on which you plan to be here. I am leaving this week on a trip which will take me to Tokyo for the Bank's Annual Meeting early in September and shall not be back until the latter part of that month. The Bank as a whole is engaged in preparations for that meeting, and I would therefore suggest that any visit to the Bank take place during your September trip to Washington. In my absence, Messrs. David Gordon, Assistant Director of the Development Services Department, and Lionel J. C. Evans, Chief of the Agriculture Division of the Technical Operations Department, will be pleased to meet with you then. If you will write or call either of these gentlemen, a time can be arranged which suits your convenience.

Sincerely yours,

(Signed) George D. Woods
George D. Woods

Aug
was here 17-18-19

will be here (Sept.)
(14-15)

Mr. James G. Patton
President
National Farmers Union
1575 Sherman Street
Denver 1 - Colorado

cc: Mr. David Gordon
Mr. Lionel Evans / Cleared with Mr. Aldewereld

SEB/RHD/jk
August 10, 1964

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. L. J. C. Evans

DATE: August 4, 1964

FROM: Don Stoops *DS*

SUBJECT: Comments on Paper Entitled "A Proposal for The Creation of a World Land Bank"

1. This is a subject in which Jim Patton has long had great interest. He and Mr. Parkinson have, I believe, correctly summarized some of the most important limitations associated with financing agricultural projects in developing countries.
2. The need for the type of financing referred to exists without doubt. The subject is, however, a sensitive one politically in many developing countries and may therefore lack the support to make it a reality.
3. If the subject is seriously pursued, I feel it would have much more support if incorporated into the framework of the World Bank complex, if this conforms to the Bank's policies. The excellent reputation which the Bank enjoys would go far in alleviating many of the fears of developing countries associated with both policy and administration. Moreover, to separate one type of agricultural financing from others would be both confusing, overlapping, and wasteful.

DS:nw

*Mr. Stoops: You might care to see this, if you've
not read it already.
Lester H. Harrison*

*HJ (E)
VII.30*

A PROPOSAL FOR THE CREATION OF A WORLD LAND BANK

by James G. Patton and Harlan S. Parkinson

The rising wave of concern for the improvement of land tenure conditions in world agriculture is based upon the knowledge that present tenure arrangements are both stifling the economic and social progress of the developing nations and providing the Communists and other Totalitarian forms of society with a major issue that contributes substantially to the support of their movement throughout the poor areas of the world.

The free world is searching for ideas and methods for developing democratically viable and productive economies for people now suffering from poverty, ill health, ignorance and insecurity. Our appreciation of the dignity of man and our sense of personal freedom requires that the development process enlists the participation and involvement of the people on a voluntary basis.

Three fourths of the world's population and obviously a still higher proportion of the population of some countries depend on their entire livelihood from the land. Since the common man, living in the developing areas of the world is primarily a tiller of the soil, a program of development which enlists his willing participation must be one which makes sense to him and meets his basic aspirations.

Nothing less than the ownership of land will satisfy these people, giving the free world their support in the fight against dictatorship of the left and the right.

Because so much of the free world is rural, agricultural land reform deeply affects peace and security throughout the world.

Every developing nation faces today a critical challenge in the ways and means by which their agricultural production may be stepped up and a stable owner-operator land policy developed. Too frequently nations which seek these ends have such limited credit and financial resources that land reform and the development of family farm agriculture cannot be adequately funded.

The agrarian structure constituting the institutional framework of agriculture production so important in determining rural living standards varies from country to country, but certain rural conditions are common to all of the underdeveloped nations. These

include uneconomically small farm units, antiquated farming methods, inadequate credit facilities, extensive unemployment and underemployment, high farm tenancy, decreasing soil fertility, malnutrition, lack of local self-government, and a failure to provide essential community services.

At the same time undeveloped lands in many countries represent a potential major resource for increasing production if financial resources would be available for settlement. Eventually these areas would become, through the appreciation of land values, a self-sufficient national resource.

Most of these developing countries have patterns of agriculture which find vast land holdings in the hands of a few land owners and in many instances the most productive lands are not presently accessible to the small farmers.

Individual enterprise in agriculture is often prevented and always delayed by the lack of financial capability within countries either purchase land or develop its resources.

Break up of extensive land holdings and the transference of large equities from agriculture to industrial investment cannot be accomplished without outside financial assistance accompanied by effective financial assistance to agrarian reform and land development.

While developed nations have demonstrated that individual land holdings and the family farm type of agriculture to be the most effective procedure for the production of food and fibre, developing nations seeking to apply the same procedures are frustrated by the lack of capital and by traditional institutions which thwart the needed re-allocation of land resources into economic family units.

To solve land tenure problems in the agricultural sector and assist in the industrial and social development of the developing countries of the free world the authors propose the formation of a World Land Bank, to do on an international scale what the Federal Land Bank and the Farmers Home Administration did in the United States during the administration of Franklin D. Roosevelt.

Basically, the purpose of the Bank would be to provide sufficient funds to expropriate inefficiently farmed land holdings with prompt and adequate compensation paid to the owners and provide family farmers with the financial resources necessary to increase productivity of the agrarian sector.

The institution's operation would ensure the transfer of assets held in land to economically and socially desirable industrial development, avoiding the outflow of capital to Europe and the United States which is paid to the land-owners on the expropriation of their land holdings.

The World Land Bank could be formed as a specialized agency within the meaning of Article 57 of the United Nations Charter, the same authority used for the formation of the International Bank for Reconstruction and Development (World Bank). It would be capitalized from subscriptions both public and private purchased by the creditor nations of the World, and donations similar to the financing of the World Bank and the funds made available to the International Development Association.

An example of how the bank could function, is as follows:

1. Under the Agrarian Reform Law proposed by country X in Latin America, landowners would receive payment for the expropriation of their land in 20-yr., 5% interest Government bonds. Land valuation is based on productive value at the time of expropriation.
2. The small farmer will receive this land from the Institute of Agrarian Reform. The Institute will receive a first mortgage on the land from the new landowner, payable over a 20-yr. period at an interest rate of 3%.

The World Land Bank at this time would provide from its own resources and its contacts with the World Bank, the U. N. Special Fund, the Export-Import Bank, the technical assistance programs of other countries and AID, loans to assist in increasing land productivity, i.e., agricultural credit to buy equipment, seed, fertilizer, and provide technical assistance. The use of this money would be coordinated in Latin Country X by the Agricultural Bank, the Agricultural Extension Agency, the U. N. Special Fund and AID.

3. The most important aspect of the World Land Bank work begins with step 3. Using as security the first mortgages obtained from those who received land under the Agrarian Reform program, the Latin Government of X borrows from the World Land Bank 50% or more of the value of the first mortgages. This

money goes to the Industrial Bank and Industrial Planning Commission of Latin Country X.

On a selective basis, the landowners who receive 20-yr. bonds as payment for the expropriation of their land resources are told by the Government that they can redeem their bonds by investing the currency equivalent in one of a series of industries the Latin Government of X feels desirable for its economic development. This list of industries should include both prospective new industries and the purchase of stock in established industries which the National Planning Commission determines desirable for X's economic and social progress.

If the Government prefers to make this investment for the landowner, the landowner would be given shares in a Government open-end trust, similar to a mutual fund.

The landowner, on redeeming the Agrarian Reform bonds, endorses them over to the Government of X. The Government of X then borrows from the World Land Bank 50% of the value of the Agrarian Reform bonds, using as security the bonds redeemed by the landowners. This money goes to the Industrial Bank and the Industrial Planning Commission, where it is utilized to redeem further Agrarian Reform bonds and channel the money from the redemption into industrial development.

4. The increased productivity of the agricultural and industrial sector and the consequent augmented tax revenues to the Government will allow the Government to pay off the hard currency loans made by the World Land Bank.

This process gives the landlord the assurance that his investment in land will be paid in a currency that does not suffer devaluation, as the industries he or the governments invest in produce goods which follow inflationary price increases. It also permits a clean transfer of assets from the agricultural sector into the industrial sector without a foreign capital flight.

The availability of national funds for local investment would also encourage a greater inflow of private capital and private technical assistance as foreign investors want national money in their enterprises to protect them from nationalization and discriminatory regulations.

The agrarian reform acts as the necessary wealth distributing mechanism to bring the forgotten half of the free world into the 20th century. It will allow them to produce, and in producing create the market necessary to support viable industrial development.

The entire program is self-liquidating as the increased productivity of the land helps pay for the Agrarian Reform program and as tax revenue will increase proportionate to the increase in agricultural and industrial production, the Latin Government of X can meet its international credit obligations.

As a philosophical concept and a practical working idea agrarian reform stems from the French enlightenment to Thomas Jefferson, Andrew Jackson and Abraham Lincoln, from John Stuart Mill and William Gladstone, from Daniel Webster, Thomas Hart Benton and Franklin D. Roosevelt--not from Marx, Lenin, Stalin and Mao.

The Communists advocate and exploit land reform as the avowed means of giving land to the landless, while actually intending to collectivize the land, substituting the State for the Latifundista.

An integral part of the American heritage is that it is socially and economically desirable that the man who works the soil should own it. This fundamental concept was firmly imbedded in American life at the time of our revolution and serves today as the foundation of the family farm, an institution which has contributed substantially to the social, economic and political development of the United States.

Because of the importance of this concept in the United States, we should strive to apply the same principles in our foreign aid program.

The concept of a World Land Bank springs from our most fully accepted traditions, out of experience we have gained throughout our land and the world for the last two centuries, and out of the needs of the Free World today to assert constructive leadership toward social justice and economic progress for all men.

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

ROUTING SLIP

Date

August 6, 1964

OFFICE OF THE PRESIDENT

Name

Room No.

1. Mr. Demuth

2. Mr. Aldewereld

Action

Note and File

Approval

Note and Return

Comment

Prepare Reply

Full Report

Previous Papers

Information

Recommendation

Initial

Signature

Remarks

Please have someone read this through and let me know whether someone should visit with the President of the National Farmers Union. I shall not be available on any of the dates of his forthcoming Washington visits, but perhaps you should arrange to see him.

From

G. D. Woods

AUG 6 REC'D

NATIONAL FARMERS UNION

1575 SHERMAN STREET · DENVER 1, COLORADO

OFFICE OF THE PRESIDENT

August 3, 1964

Mr. George D. Woods
President
World Bank-International Bank
for Reconstruction and Development
1818 - H Street, N. W.
Washington, D. C.

My dear Mr. Woods:

I have been wanting to visit with you for a long time. I am particularly interested in visiting with you about the idea of developing a World Land Bank Credit Division of the World Bank.

I am sending you a copy of a Confidential Report I made to Paul Hoffman on Peru and would like an opportunity to visit with you.

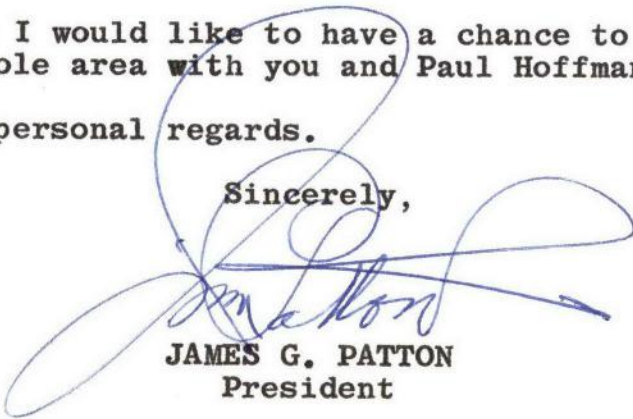
Research
Files

I will be in Washington August 17, 18, and 19 and will be there September 14 and 15. If possible, I would like to have an appointment.

Later on I would like to have a chance to discuss this whole area with you and Paul Hoffman.

Kindest personal regards.

Sincerely,


JAMES G. PATTON
President

File. Aug 11

AUG 13 REC'D

ACK. ~~Aug~~ 13

Sweden

Lidingö, July, 18th, 1964

Dear Mr. President,

I have for many years been interested in more help to the developing countries to improve their food situation and to reduce unemployment. Therefore, I was very happy when, at the 1963 annual meeting, you stressed your interest in doing more for agriculture.

A memo is enclosed which I wrote at the request of a friend from an Asian country. I hope that it may interest you. Another short memo on the subject is also enclosed.

Yours sincerely
 Carl Rooth

9.8.64 The letter was delayed as I had to wait for the mimeographing.

marked but
 declined. Just with

I believe that it is a mistake that the aim for both industrial and developing countries at present is stated as an increase by a certain percentage of the G.N.P. Thereby, many things are overlooked. One is the fact that a part of an increased G.N.P. consists of higher wages and prices, although this is no real improvement for the country. It is also overlooked that nowadays, especially in industrial countries, a substantial part of the increased G.N.P. comes from increased employment in service industries. It goes without saying that there are many services which are necessary to a proper functioning of an economy, such as most of the transport. However, a lot of work in service industries only consists of unnecessary consumption and this is no real improvement.

In countries with heavy unemployment or underemployment, more demand for manpower means reduced unemployment. To the extent possible the unemployed should be put at productive work, such as reafforestation, soil conservation and road building.

In countries with a shortage of manpower, the result of increasing demand from service industries is, of course, a more rapid increase of wages and of prices.

It is a pity that in most industrial countries people are told that the standard of living should continue to increase as it has been doing during the time after the second World War. Very few people in these countries realize that if we really want to help the developing countries, this cannot be done without some sacrifices on the part of the industrial countries themselves or of certain segments of their population either in refraining from a higher standard of living and/or in reducing the actual standard.

June 1964

see Aug 13

Ivar Rooth
3, Norrviksvägen
Lidingö 3
Sweden

A common-sense approach to development problems of countries like India and Pakistan.

This is only an attempt to give some examples. It is not intended to be a comprehensive study.

What is most important for a developing country?

My answer is: Do "first things first".

This means

- a) to approach the problem in a practical way and adapt the work according to the local situation,
- b) to provide enough food for the people and
- c) to reduce local unemployment.

I. To improve the food situation the following should be done.

- 1) Reduction of the waste of seed, foodgrain and perishable food.

This also includes improvements in storage, in marketing and in transports from the areas where the food is produced to consumers e.g. by better vehicles, roads and bridges.

Simple air-tight tin containers, glazed earthenware, glass or plastic should be provided for every family in hot and humid areas.

Air- and water-tight bins requiring only local labour and materials, with capacities of 50 to 2,000 tons, are required for large landlords, co-operatives and grain merchants. "The Ctesiphon Airtight Storage Bin", used for many years in Cyprus, is a good example of what is needed.

For more heavily populated areas and for long-term storage Standard Component Grain Silos ought to be built in places which from the distribution point of view are most important.

Air-tight pits are in many countries dug in soft rock. In others large underground concrete pits have been built.

In some countries, a simple traditional pit method of storage has been ruined by the rising of the water-table due to seepage from irrigation canals.

2) Improved transportation facilities for food products will, of course, also reduce waste and thus increase supply.

To increase the supply of fish and to improve the lot of the fishermen more ice must be produced where the fish is landed. If cheap ice were available to fishermen and fish merchants, more fish could be caught and sold inland. The lack or shortage and the often high price of ice puts a limit on the time and distance fish may be kept and transported. During the war, fish was sent successfully from Karachi to Calcutta even during the hot season when packed in sufficient ice.

Refrigerator lorries, railway wagons and cold storage depots would be of great help in supplying the large industrial areas and cities with fish, meat and fruit.

Better crating of fruit and vegetables will prevent much waste.

3) Increased agricultural production.

To obtain a higher yield the following is needed:

- a) Upgrading of seed by sorting by hand or machine.
- b) Better but simple farm implements.
- c) The best use should be made of available water. It should be regulated locally and paid for.
- d) More water by digging new wells. Medium lift pumps can raise the water from wells and rivers for local irrigation.
- e) Better drainage in areas where the water-table is high.
- f) Better water by reducing pollution.
- g) New industrial and irrigation projects should not be started which may encroach on the existing demand for water by agriculture, industry and domestic supply.
- h) Reducing erosion through reafforestation and wind-breaks.
- i) Irrigating and fencing of grazing and forest lands.
- j) More fertilizers.
- k) More manure for the fields instead of burning cow-dung. This cannot be obtained unless
- l) More domestic fuel is provided by cultivation of fuelwood for villages and cities.

m) The cultivator must be given an incentive to increase agricultural yields by improving the share-cropping system. Only when he is able to retain for himself, say, 50 per cent of the crop, he will be able to feed his family and have a surplus to sell on the market. This surplus will enable him to buy food which is not locally grown, clothes for the family and necessary implements. Until the farmers make enough money to buy these things, it will not be possible to get a market for many of the new industries.

Land reform including breaking up of big estates will, at least to begin with, lead to reduced production. It will take a long time before such a scheme is passed by the parliament and then it takes a long time before it can be implemented. It is important to introduce only projects that do not go against the tabus of a country. Although the caste system is not such a tabu, I am aware of that, in spite of the Indian legislation, caste reactions are difficult to get rid of and may prevent effective work.

II. Providing work for as many of the unemployed and of the underemployed as possible.

One means of doing this is reafforestation as mentioned above; plant forests for fuel wood and trees around fields as windbreaks. Forests are specially needed in the catchment area.

Reafforestation is also needed in certain areas to provide raw material for timber, woodpulp and paper industries.

Where forests have been felled, floods in some areas cause erosion and in others sand drift.

It goes without saying that reafforestation solves only a very small part of the unemployment in big cities such as Calcutta. Let us hope that the situation between hindus and moslems may return to what it was before the war. Then at least the flow of new refugees to Calcutta might be reduced.

b) Recruiting people for the forces may reduce some unemployment. Increased military expenditure is, however, not to be recommended. On the contrary, too much money in most developing countries goes to military expenditure that is really not necessary and which the country

cannot afford. Mr. Black and many others have repeatedly stressed this aspect. On the other hand, it goes without saying, that India has a deplorable but good excuse for those armament expenditures which have been necessary after the Chinese attack.

c) Lack of time and knowledge prevent me from commenting on other ways of reducing unemployment such as building dams and tanks mainly by using manual labour instead of big machines. This used to be done in the Indian subcontinent and it has been done also after the war.

III. New industries.

1) Prospecting should be started if there are indications of:

- a) oil or natural gas anywhere in the country but
- b) metals or coal, only if it is not too far away from a railway or the coast.

2) A study is now being made in India about new timber, pulp and paper industries. It is, therefore, important that tree-nurseries are started as soon as possible in areas which seem suitable for such industries.

The need for fuel-wood and nurseries for such saplings has been mentioned before.

3) Priority should be given to industries based on local raw materials.

4) Before a decision is made on a new industrial project, the transport and water problems should be thoroughly studied.

5) There is lack of administrators, engineers and skilled labour.

It is, therefore, a realistic approach to start industries where know-how is needed only in cooperation with a foreign group which is willing to take a substantial interest in the project and is willing to provide the instruction necessary.

As some examples may be mentioned.

- a) the match factories in India,
- b) various industries started by Swedish companies e.g. in Poona,
- c) a superphosphate plant in Tunisia,
- d) the iron mines in Liberia.

Repair and maintenance shops have been built in combination with many of these industries.

IV: More education.

Some branches of education are more important than others. The following ones have, I believe, a very high priority. The order in which they are mentioned does not indicate the order of their priority.

- a) Teachers for elementary, second grade, technical, business and agricultural schools. I am not thinking of universities and similar institutions which I consider less important than those mentioned.
- b) There is e.g. a lack of foremen, mechanics able to repair various types of machinery, steelworkers, competent clerical staff including secretaries, able to type, to take shorthand and to write English.

In many countries there is a great shortage not only of teachers at all levels but there are also not enough pupils for universities and high schools. There is also the risk that many of most of these having got higher education, at home or abroad, will be anxious to get a job abroad or at least be unwilling to work in the countryside.

If this line of thinking is followed, the work for eradication of illiteracy cannot make a first priority, although it would be valuable. For instance, in many factories at present instructions cannot be passed on to everybody by statements on billboards or by printed messages but have to be given orally and are then often soon forgotten. However, in spite of this and many other advantages of eradicated illiteracy, teaching of the "three H:s" to everybody should be taken on only gradually.

- V. Foreign aid and loans should be given only for projects that have a high priority.

- VI. The time element is most important in most developing countries.

Those countries and institutions giving loans and aid should always be aware of what the Indian Ambassador to Sweden Khub Chand said a couple of years ago in a speech in Rome: India has many resources "but India does not have time".

May 12th, 1964

Ivar Rooth

INTERNATIONAL MONETARY FUND

Mar. 12/64

~~Mr. Broches~~

For information.

J.G.

~~→ Mr. Hunt~~
~~Mrs. Bortney~~
~~Adm~~
Joseph Gold

UNIVERSITY OF CALIFORNIA, BERKELEY

BERKELEY • DAVIS • IRVINE • LOS ANGELES • RIVERSIDE • SAN DIEGO • SAN FRANCISCO



SANTA BARBARA • SANTA CRUZ

SCHOOL OF LAW (BOALT HALL)
BERKELEY, CALIFORNIA

March 5, 1964

Mr. Joseph Gold
General Counsel
International Monetary Fund
Washington, D. C.

See PE on Spec Fund

Dear Joe:

A friend of mine, Harlan S. Parkinson, who is the head of the South American branch of the American Wheat Growers Association, has collaborated on a proposal for the creation of a world land bank, copies of which he sent to me and one of which I am forwarding to you. I thought you might be interested, perhaps in passing it along to some interested persons in the World Bank.

Very truly yours,

A handwritten signature in cursive script, appearing to read "John H. Jackson".

John H. Jackson
Associate Professor of Law

JHJ:nh

Enclosure

A PROPOSAL FOR THE CREATION OF A WORLD LAND BANK

by JAMES G. PATTON and HARLAN S. PARKINSON

The rising wave of concern for the improvement of land tenure conditions in world agriculture is based upon the knowledge that present tenure arrangements are both stifling the economic and social progress of the developing nations and providing the Communists and other Totalitarian forms of society with a major issue that contributes substantially to the support of their movement throughout the poor areas of the world.

The free world is searching for ideas and methods for developing democratically viable and productive economies for people now suffering from poverty, ill health, ignorance and insecurity. Our appreciation of the dignity of man and our sense of personal freedom requires that the development process enlists the participation and involvement of the people on a voluntary basis.

Three fourths of the world's population and obviously a still higher proportion of the population of some countries depend on their entire livelihood from the land. Since the common man, living in the developing areas of the world is primarily a tiller of the soil, a program of development which enlists his willing participation must be one which makes sense to him and meets his basic aspirations.

Nothing less than the ownership of land will satisfy these people, giving the free world their support in the fight against dictatorship of the left and the right.

Because so much of the free world is rural, agricultural development deeply affects peace and security throughout the world.

Every developing nation faces today a critical challenge in the ways and means by which their agricultural production may be stepped up and a stable owner-operator land policy developed. Too frequently nations which seek these ends have such limited credit and financial resources that the development of family farm agriculture cannot be adequately funded.

The agrarian structure constituting the institutional framework of agricultural production so important in determining rural living standards varies from country to country, but certain rural conditions are common to all of the under-developed nations. These include uneconomically small farm units, antiquated farming methods, inadequate credit facilities, extensive unemployment and under-employment, high farm tenancy, decreasing soil fertility, malnutrition, lack of local self-government, and a failure to provide essential community services.

At the same time undeveloped lands in many countries represent a potential major resource for increasing production if financial resources could be available for land settlement. Eventually these areas would become, through the appreciation of land values, a self-sufficient national resource.

Most of these developing countries have patterns of agriculture which find vast land holdings in the hands of a few land owners and in many instances the most productive lands are not presently accessible to small farmers. Individual enterprise in agriculture is often prevented and always delayed by the lack of financial capability within countries to either purchase land or develop its resources.

The break up of extensive land holdings and the transfer of large equities from agricultural to industrial investment cannot be accomplished without outside financial assistance accompanied by effective financial assistance to agrarian reform and land development.

While developed nations have demonstrated that individual land holdings and the family farm type of agriculture to be the most effective procedure for the production of food and fibre, developing nations seeking to apply the same procedures are frustrated by the lack of capital and by traditional institutions which thwart the needed re-allocation of land resources into economic family units.

To solve land tenure problems in the agricultural sector and assist in the industrial and social development of the developing countries of the free world the authors propose the formation of a World Land Bank.

Basically, the purpose of the Bank would be to provide sufficient funds to expropriate inefficiently farmed land holdings with prompt and adequate compensation paid to the owners and provide family farmers with the financial resources necessary to increase the productivity of the agrarian sector.

The institution's operation would ensure the transfer of assets held in land to economically and socially desirable industrial development, avoiding the outflow of capital to Europe and the United States which is paid to the land-owners on the expropriation of their land holdings.

The World Land Bank could be formed as a specialized agency within the meaning of Article 57 of the United Nations Charter, the same authority used for the formation of the International Bank for Reconstruction and Development (World Bank). It would be capitalized from subscriptions both public and private purchased by the creditor nations of the World, and donations similar to the financing of the World Bank and the funds made available to the International Development Association.

An example of how the bank could function, is as follows:

1. Under the Agrarian Reform Law proposed by country X in Latin America, landowners would receive payment for the expropriation of their land in 20-yr, 5% interest government bonds. Land valuation is based on productive value at the time of expropriation.
2. The small farmer will receive this land from the Institute of Agrarian Reform. The Institute will receive a first mortgage on the land from the new landowner, payable over a 20-yr. period at an interest rate of 3%.

The World Land Bank at this time would provide from its own resources and its contacts with the World Bank, the U. N. Special Fund, the Export-Import Bank, the technical assistance programs of other countries and AID, loans to assist in increasing land productivity, i. e., agricultural credit to buy equipment, seed, fertilizer, and provide technical assistance. The use of this money would be coordinated in Latin Country X by the Agricultural Bank, the Agricultural Extension Agency, the U. N. Special Fund and AID.

3. The most important aspect of the World Land Bank work begins with step 3. Using as security the first mortgages obtained from those who received land under the Agrarian Reform program, the Latin Government of X borrows from the World Land Bank 50% or more of the value of the first mortgages. This money goes to the Industrial Bank and Industrial Planning Commission of Latin Country X.

On a selective basis, the landowners who receive 20-yr. bonds as payment for the expropriation of their land resources are told by the Government that they can redeem their bonds by investing the currency equivalent in one of a series of industries the Latin Governments of X feels desirable for its economic development. This list of industries should include both prospective new industries and the purchase of stock in established industries which the National Planning Commission determines desirable for X's economic and social progress.

If the Government prefers to make this investment for the landowner, the landowner would be given shares in a Government open end trust, similar to a mutual fund.

The landowner, on redeeming the Agrarian Reform bonds, endorses them over to the Government of X. The Government of X then

borrow from the World Land Bank 50% of the value of the Agrarian Reform bonds, using as security the bonds redeemed by the landowners. This money goes to the Industrial Bank and the Industrial Planning Commission, where it is utilized to redeem further Agrarian Reform bonds and channel the money from the redemption into industrial development.

4. The increased productivity of the agricultural and industrial sector and the consequent augmented tax revenues to the Government will allow the Government to pay off the hard currency loans made by the World Land Bank.

This process gives the landlord the assurance that his investment in land will be paid in a currency that does not suffer devaluation, as the industries he or the governments invest in produce goods which follow inflationary price increases. It also permits a clean transfer of assets from the agricultural sector into the industrial sector without a foreign capital flight.

The availability of national funds for local investment would also encourage a greater inflow of private capital and private technical assistance as foreign investors want national money in their enterprises to protect them from nationalization and discriminatory regulations.

The agrarian reform acts as the necessary wealth distributing mechanism to bring the forgotten half of the free world into the 20th century. It will allow them to produce, and in producing create the market necessary to support viable industrial development .

The entire program is self-liquidating as the increased productivity of the land helps pay for the agrarian reform program and as tax revenue will increase proportionate to the increase in agricultural and industrial production, the Latin Government of X can meet its international credit obligations.

As a philosophical concept and a practical working idea agrarian reform stems from the French enlightenment to Thomas Jefferson, Andrew Jackson and Abraham Lincoln, from John Sturat Mill and William Gladstone, from Daniel Webster, Thomas Hart Benton and Franklin D. Roosevelt--not from Marx, Lenin, Stalin and Mao.

The Communists advocate and exploit land reform as the avowed means of giving land to the landless, while actually intending to collectivize the land, substituting the State for the Latifundista.

An integral part of the American heritage is that it is socially and economically desirable that the man who works the soil should own it.

This fundamental concept was firmly imbedded in American life at the time of our revolution and serves today as the foundation of the family farm, an institution which has contributed substantially to the social, economic and political development of the United States.

Because of the importance of this concept in the United States, we should strive to apply the same principle in our foreign aid program.

The concept of a World Land Bank springs from our most fully accepted traditions, out of experience we have gained throughout our land and the world for the last two centuries, and out of the needs of the Free World today to assert constructive leadership toward social justice and economic progress for all men.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Feb 18

Dick:

You know that a similar note went from Woods to Knapp and Rosen/Diamond. Not to Western Hemisphere. Knapp noticed latter absence and commented on it to Woods (I am told), also pointing possibility that Woods would receive three uncoordinated views. He suggested, and Woods agreed, that deVries be asked to consider proposal, talk to others and prepare reply for Woods acceptable to all those concerned.

Diamond, deVries, Sandberg and I met with two AID men today and mostly raised questions. deVries will prepare note for Woods.

AID men said that Special Fund is actively considering World Land Bank scheme and intends to investigate possibility in Peru (in April) and Iran (later), presumably as pilot areas.

If you have any interest in learning details of meeting, you can ask me about it.

SEB

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

~~DRG~~
~~USR~~

February 27, 1964

Mr. Knapp:

*See Peru
and Spec Fund*

At a meeting in Bill Diamond's office to discuss with AID representatives the agrarian reform proposal for Peru on which Ted Moscoso asked for Mr. Woods' comments, the attached paper was left with Bill by the AID people. They said that the proposal for a World Land Bank embodied in the paper had been put to Paul Hoffman (presumably by the proponent), that Hoffman had expressed interest and that the Special Fund planned to investigate its possibilities in Peru (in April) and in Iran (later). I showed the paper to Dick--he thought you might be interested in seeing it.

Shirley Boskey
Shirley Boskey ,

Returned with thanks

JK

[Large stylized signature]

Des. - Land Reform

Received from Mr. Patton,
AID, 2/18/64
cc. DeVries
Brosky
Gandy
Graham

THE WORLD LAND BANK

Since December 1962, work has been under way to initiate a World Land Bank to assist the countries of Latin America and other developing areas of the World to attain a meaningful agrarian reform.

The idea to establish a World Land Bank was first articulated by James G. Patton, President of the National Farmers Union, past President of the International Federation of Agricultural Producers and the current President of the Freedom From Hunger Foundation.

Most recently, Mr. Patton spoke of the proposed World Land Bank at the Second General Ordinary Conference of Inter-American Agrarian Organizations, held in Mexico City in June, 1963. The World Land Bank proposal was adopted by the Inter-American Agrarian Organization in formal resolution on September 17, 1963. Mr. Patton's proposal was adopted earlier at the thirteenth General Conference of the International Federation of Agricultural Producers (IFAP) in Dublin, Ireland, on May 21st, 1963.

Stated simply, the purpose of the World Land Bank is to provide sufficient funds to expropriate inefficiently farmed land holdings with prompt and adequate compensation paid to the owners, and provide small farmers the financial resources necessary to increase the productivity of the agrarian sector.

The World Land Bank will be formed as a specialized agency within the meaning of Article 57 of the United Nations Charter, the same authority used for the formation of the International Bank for Reconstruction and Development (World Bank). It will be capitalized from subscriptions both public and private purchased by the creditor nations of the World, and donations similar to the financing of the World Bank and the funds made available to the International Development Association.

An example of how the bank could function, is as follows:

1. Under the Agrarian Reform Law proposed by country X in Latin America, landowners would receive payment for the expropriation of their land in 20-yr, 5% interest Government Bonds. Land valuation is based on productive value at the time of expropriation.

2. The small farmer will receive this land from the Institute of Agrarian Reform. The Institute will receive a first mortgage on the land from the new landowner, payable over a 20-year period at an interest rate of 3%.

The World Land Bank at this time would provide from its own resources and its contact with the World Bank, the UN Special Fund, the Export-Import Bank, the technical assistance programs of other countries and AID, loans to assist in increasing land productivity, i.e., agricultural credit to buy equipment, seed, fertilizer, and provide technical assistance. The use of this money would be coordinated in Latin Country X by the Agricultural Bank, the Agricultural Extension Agency, the UN Special Fund and AID.

3. The most important aspect of the World Land Bank work begins with step 3. Using as security the first mortgages obtained from those who received land under the Agrarian Reform program, the Latin Government of X borrows from the World Land Bank 50% or more of the value of the first mortgages. This money goes to the Industrial Bank and Industrial Planning Commission of Latin Country X.

On a selective basis, the landowners who receive 20-year bonds as payment for the expropriation of their land resources are told by the Government that they can redeem their bonds by investing the currency equivalent in one of a series of industries the Latin Government of X feels desirable for its economic development. This list of industries should include both prospective new industries and the purchase of stock in established industries which the National Planning Commission determines desirable for X's economic and social progress.

If the Government prefers to make this investment for the landowner, the landowner would be given shares in a Government open-end trust similar to a mutual fund.

The landowner, on redeeming the Agrarian Reform bonds, endorses them over to the Government of X. The Government of X then borrows from the World Land Bank 50% of value of the Agrarian Reform bonds, using as security the bonds redeemed by the landowners. This money goes to the Industrial Bank and the Industrial Planning Commission,

where it is utilized to redeem further Agrarian Reform bonds and channel the money from the redemption into industrial development.

4. The increased productivity of the agricultural and industrial sector and the consequent augmented tax revenues to the Government will allow the Government to pay off the hard currency loans made by the World Land Bank.

This process gives the landlord the assurance that his investment in land will be paid in a currency that does not suffer devaluation, as the industries he or the governments invest in produce goods which follow inflationary price increases. It also permits a clean transfer of assets from the agricultural sector into the industrial sector without a capital flight to Europe or the United States.

The entire program is self-liquidating as the increased productivity of the land helps pay for the Agrarian Reform program and tax revenue will increase proportionate to the increase in agricultural and industrial production, allowing the Latin Government of X to meet its international credit obligations.

Mr. William Diamond

February 17, 1964

Henry B. Thomas *HT*

Notes on Two Papers Dealing with Agrarian Reform

The following are some notes on two papers dealing with agrarian reform, with comments on the workability of the proposal presented in the second paper, which you requested I prepare.

A. "Financial Aspects of Agrarian Reform" - prepared by the Pan American Union.

This paper deals primarily with the financial implications of redistributing land. It stresses the need for clearly spelling out the financial objectives of agrarian reform so that the programs developed are consistent with these objectives. The paper is written from a technical point of view and does not lend itself easily to summarization.

Section I considers the major problem of deciding upon the extent to which present owners of land are to be compensated for their properties. The philosophy of the Charter of Punta del Este is commonly assumed to imply that just compensation will be paid for expropriated property. However, a cash payment equivalent to the market value at the time of sale could put an undue financial burden on the Government.

The central idea expressed in the paper is that the cost of land redistribution need not place an undue financial burden upon any government and compensation to present landowners can approximate full value if the new owners of land are made to pay for the land at its real value. This idea is supported through the concept of "use cost" for all factors of production, including land.

The section closes with some brief general comments. It is pointed out that financing agrarian reform programs is no different from financing other government projects. It is stated that one of the principal objectives of agrarian reform is the redistribution of income but that the way in which income is to be redistributed through land redistribution is seldom made clear. The two possibilities, modifying the distribution of current agricultural income or also changing the distribution of assets, are briefly discussed.

Section II considers how the source of revenue for financing agrarian reform programs affects sectoral income transfers. Three sources of revenue are discussed: (1) revenue generated as a result of the program, i.e., from the new owners, (2) revenue taken from the wealth and income of owners of large tracts of agricultural land, and (3) revenue transferred from the non-farm sector.

Section III discussed more fully the problem of whether the redistribution of land is to result in income transfers and, if so, whether only current income is to be affected or whether there is also to be a redistribution of assets. It is pointed out that one of

the principal means of affecting such an income transfer, particularly with respect to a redistribution of assets, is the prices established for buying and selling land.

After discussing the difference between the "price" of land and its "value", five methods of determining land value are presented. These are:

1. value as determined by the free land market;
2. capitalized value based on income calculated from historical yields and costs;
3. capitalized value based on income potential calculated from potential yields and costs;
4. assessed value; and
5. self-assessed value.

The merits and shortcomings of each method are then discussed.

Section IV deals with various methods for financing land transfers. These include:

1. new owners to begin paying for land after a grace period of from three to five years with these payments, in turn, being used to pay the present owners;
2. payment in full to present owners at the time of purchase;
3. owners of expropriated land being paid with ten, 15 or 20-year government bonds;
4. linking land redistribution to industrialization through payment in industrial development bonds; and
5. renting of land from present owners (with perhaps purchase options).

Section V discusses colonization projects, which refer to settlement of areas largely devoid of population and infrastructure. The financial aspects of these programs, which are different from the financial aspects of land redistribution programs, are discussed.

Section VI concludes that land redistribution can take place without undue financial strain on governments if the present owners are compensated by monthly or annual payments made by the new owners. It is stated, however, that this suggested program over-simplifies the problem as underlying agrarian reform is the intent to redistribute income and wealth in the process of redistributing land. Thus, present owners are to be paid less than they presently value their land and new owners will buy it for even lower prices.

B. "A Potential Institution and Procedure for Financing Agrarian Reform and Stimulating Industrialization in Peru" - Fred Mann & Melvin Blase for A.I.D. - See Peru - UNSF

This paper conceptualizes an institutional arrangement which will enable the sale of agricultural land to smaller owner-operators and the investment of the land-sale proceeds in new industry to become a reality. (This represents an extension of and elaboration on the idea expressed in the first paper of financing land transfers through issuance of industrial development bonds.) The institutional arrangement proposed is described in fairly general terms; what follows is a summary of the main points of the scheme.

The A-I Trust: Central to the proposal is the establishment of an institution called the Agrarian-Industrial Investment Trust (the A-I Trust). It is the only new institution called for and will be assisted by the several already established institutions in Peru.

Agrarian Reform: The A-I Trust will purchase land from the large land-owners issuing trust certificates as payment. The former land-owner will have a choice of two types of certificates, 5% fixed return or full-risk certificates. The A-I Trust will resell the land to relatively small-scale owner-operators in exchange for small down-payments and negotiable notes for the balance of the purchase price. These notes will be guaranteed by the Government.

Liquifying the Assets of the A-I Trust: The A-I Trust will use the notes it receives from land buyers as collateral for loans from national and international financing agencies. These loans would carry the going rate of interest in the particular market. In addition, the Trust will pledge its industrial assets as collateral for these loans as these assets are acquired.

It is envisaged that the Government of Peru would provide "seed money" to the Trust, perhaps \$1 million. Also, U.S. A.I.D. would be expected to provide a long-term, low interest loan to compensate for the extent of the discounting of the A-I Trust's collateral. It is stated that this will allow the Trust to hold liquid assets to the full face value of trust certificates it has issued.

Industrial Development: The A-I Trust will look to existing institutions for direction in investing its assets. There are three alternative ways for making investments:

1. investment by the former landowners themselves;
2. investment in risk capital by the Trust; and
3. investment in debt capital by the Trust.

A former landowner will be given a period of time, e.g., one year, to decide whether he or the Trust will invest the cash amount of his trust

certificate. If he decides to do so, he would be allowed to redeem the value of his certificate for investment in approved industries. If he chooses to invest in a wholly owned enterprise, there would be further requirements such as the amount of investment to come from other sources, various guarantees of performance, guarantees that the investment would not leave the country within a fixed period, etc.

If the former land-owner elects to retain his trust certificate, the A-I Trust can invest in risk capital. Certain controls will be placed on the Trust concerning the balance to be required in its investment portfolio.

Investment in debt capital will be the third alternative open to the Trust. It is expected, however, that this alternative would be used less than investment in risk capital.

Termination of the A-I Trust: The trust will be self-liquidating. Any increase in the proportion of assets to debts -- as (1) the land purchase payments are made, (2) trust investments are made, and (3) earnings are accumulated -- will be distributed in kind to the certificate holders as a partial termination of the trust. The A-I Trust will completely terminate its operations when all certificate holders have received a distribution in kind of all trust assets and after all loan commitments are satisfied.

Other Considerations: The paper concludes with a discussion of three aspects of the proposal. These are:

1. the exclusion of any attempt to deal with the public welfare aspects of the agrarian reform problem;
2. relationship to other tenure and transfer forms; and
3. the management needed to coordinate all activities specified in the proposal.

Comments on the Workability of the Proposal

A major weakness in the proposal is the assumption that the notes received from the new ~~owner~~-operators will be easily marketable. Though they carry the guarantee of the Government, it is not clear that they will be acceptable in foreign markets as collateral without substantial discounting. Though Peru's currency is currently stable, any inflationary trends would increase the amount of discounting on these notes, especially if the rediscounting facilities were to be available for a long term. Local sources of funds would probably not be sufficiently large to cover the extent of borrowing envisaged.

It is assumed that a long-term, low interest loan from A.I.D. would be available to cover any discounting that was required. It is doubtful, if this discount were large, that a loan of the required magnitude would be available.

Without further information on the interest rates the notes from the new owner-operators will carry, the marketability of these notes, or the returns available on industrial investments in Peru, little can be said on the profitability of the proposal.

Logged
2/18/64
JEE

Received from Mr. Patton,
AID, 2/18/64
cc. DeVries
Boskey
Sawley
Granow

THE WORLD LAND BANK

Since December 1962, work has been under way to initiate a World Land Bank to assist the countries of Latin America and other developing areas of the World to attain a meaningful agrarian reform.

The idea to establish a World Land Bank was first articulated by James G. Patton, President of the National Farmers Union, past President of the International Federation of Agricultural Producers and the current President of the Freedom From Hunger Foundation.

Most recently, Mr. Patton spoke of the proposed World Land Bank at the Second General Ordinary Conference of Inter-American Agrarian Organizations, held in Mexico City in June, 1963. The World Land Bank proposal was adopted by the Inter-American Agrarian Organization in formal resolution on September 17, 1963. Mr. Patton's proposal was adopted earlier at the thirteenth General Conference of the International Federation of Agricultural Producers (IFAP) in Dublin, Ireland, on May 21st, 1963.

Stated simply, the purpose of the World Land Bank is to provide sufficient funds to expropriate inefficiently farmed land holdings with prompt and adequate compensation paid to the owners, and provide small farmers the financial resources necessary to increase the productivity of the agrarian sector.

The World Land Bank will be formed as a specialized agency within the meaning of Article 57 of the United Nations Charter, the same authority used for the formation of the International Bank for Reconstruction and Development (World Bank). It will be capitalized from subscriptions both public and private purchased by the creditor nations of the World, and donations similar to the financing of the World Bank and the funds made available to the International Development Association.

An example of how the bank could function, is as follows:

1. Under the Agrarian Reform Law proposed by country X in Latin America, landowners would receive payment for the expropriation of their land in 20-yr, 5% interest Government Bonds. Land valuation is based on productive value at the time of expropriation.

2. The small farmer will receive this land from the Institute of Agrarian Reform. The Institute will receive a first mortgage on the land from the new landowner, payable over a 20-year period at an interest rate of 3%.

The World Land Bank at this time would provide from its own resources and its contact with the World Bank, the UN Special Fund, the Export-Import Bank, the technical assistance programs of other countries and AID, loans to assist in increasing land productivity, i.e., agricultural credit to buy equipment, seed, fertilizer, and provide technical assistance. The use of this money would be coordinated in Latin Country X by the Agricultural Bank, the Agricultural Extension Agency, the UN Special Fund and AID.

3. The most important aspect of the World Land Bank work begins with step 3. Using as security the first mortgages obtained from those who received land under the Agrarian Reform program, the Latin Government of X borrows from the World Land Bank 50% or more of the value of the first mortgages. This money goes to the Industrial Bank and Industrial Planning Commission of Latin Country X.

On a selective basis, the landowners who receive 20-year bonds as payment for the expropriation of their land resources are told by the Government that they can redeem their bonds by investing the currency equivalent in one of a series of industries the Latin Government of X feels desirable for its economic development. This list of industries should include both prospective new industries and the purchase of stock in established industries which the National Planning Commission determines desirable for X's economic and social progress.

If the Government prefers to make this investment for the landowner, the landowner would be given shares in a Government open-end trust similar to a mutual fund.

The landowner, on redeeming the Agrarian Reform bonds, endorses them over to the Government of X. The Government of X then borrows from the World Land Bank 50% of value of the Agrarian Reform bonds, using as security the bonds redeemed by the landowners. This money goes to the Industrial Bank and the Industrial Planning Commission,

where it is utilized to redeem further Agrarian Reform bonds and channel the money from the redemption into industrial development.

4. The increased productivity of the agricultural and industrial sector and the consequent augmented tax revenues to the Government will allow the Government to pay off the hard currency loans made by the World Land Bank.

This process gives the landlord the assurance that his investment in land will be paid in a currency that does not suffer devaluation, as the industries he or the governments invest in produce goods which follow inflationary price increases. It also permits a clean transfer of assets from the agricultural sector into the industrial sector without a capital flight to Europe or the United States.

The entire program is self-liquidating as the increased productivity of the land helps pay for the Agrarian Reform program and tax revenue will increase proportionate to the increase in agricultural and industrial production, allowing the Latin Government of X to meet its international credit obligations.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Gordon

You might wish to see this,
in connection with the paper, that
came from Woods, on the same subject.

Bill Diamond

See PC O.N. Spec Fund.
(Hofman A1) Feb 3/64)
also att

UP/G.4/2
11 October 1963
Original: English

ORGANIZATION OF AMERICAN STATES



FINANCIAL ASPECTS OF AGRARIAN REFORM

Presented to the
VII MEETING OF CENTRAL BANK TECHNICIANS OF THE AMERICAN CONTINENT
Rio de Janeiro, Brazil, October 1963

PAN AMERICAN UNION
GENERAL SECRETARIAT OF THE ORGANIZATION OF AMERICAN STATES
WASHINGTON, D.C.

FINANCIAL ASPECTS OF AGRARIAN REFORM*

Presented to the

VII MEETING OF CENTRAL BANK TECHNICIANS OF THE AMERICAN CONTINENT

Rio de Janeiro, Brazil, October 1963

*Wade F. Gregory
Department of Economic Affairs
Pan American Union
Washington, D. C.

RESUME

The amount and kind of financing needed to carry out agrarian reform programs depend upon the conceptual framework and objectives of agrarian reform. Primary attention is given in this paper to the financial implications of redistributing land and how the level of compensation paid present owners for their land determines the degree to which the objectives of agrarian reform are achieved. The point is developed that for many persons, agrarian reform is as much a tool for redistributing income and wealth as for increasing agricultural output and efficiency; therefore, how and to what extent compensation is paid determines the amount of income and wealth redistributed. Prior to developing this aspect however, designers of agrarian reform programs need to consider the question of sectoral income transfers to insure that agrarian reform is consistent with overall plans for economic and social development.

Since prices paid for land acquired by the Agrarian Reform Agency are by and large administratively set and since there are no readily available data on land values, comments are made on various ways to estimate land value with the suggestion that a self-assessed value, to be used both as the price to be paid if the land were purchased as well as determining tax liability, holds promise as the best immediate method of determining land values.

The paper concludes that land redistribution need not impose any impossible financial burden on governments if the new owners of land began paying for land after a grace period of from 3 to 5 years and if these payments in turn were used to pay present owners. Under this plan, present owners would not receive a lump sum payment; rather annual payments would be made which might equal but certainly never exceed the payments made by the new owners. The possibility of using industrial development bonds as a possible modification of this plan is also discussed.

FINANCIAL ASPECTS OF AGRARIAN REFORM

"Agrarian Reform" is here taken to mean the redistribution of rights to own and/or operate land in such a way that this redistribution results in increased production and efficiency along with a more equal distribution of the income generated from this production.^{1/} It can, therefore, be said that one of the main stumbling blocks to agrarian reform (redistribution of land) is the scarcity of financial resources needed to redistribute land and provide the auxiliary services required for increased output. For, if a country had sufficient funds at its command (from, say, loans or grants) to purchase and pay market prices for all farm units larger than a socially accepted minimum size, the opposition to land redistribution on the part of present landowners would largely disappear and the State could then redistribute land in the size units it considered best for over-all economic and social development.^{2/} Therefore, since the basis of every program of agrarian reform necessarily needs to be the redistribution of the rights to own and/or operate land, this paper addresses itself primarily to the problems involved in financing the redistribution of land.^{3/}

1. Inherent in this statement is the idea that land redistribution must take place in such a way that neither the land to be redistributed nor the new owners are selected randomly but rather as the result of deliberate, purposive selection. "In such a way" also implies that land redistribution will be accompanied by the auxiliary services needed for efficient employment of resources.

2. It may be well to point out that there are quite divergent points of view with respect to the effect that land redistribution would have on total output, efficiency, and distribution of final product, for equally good arguments can be made in support of both positive and negative results. A final consensus, however, would probably be that land redistribution per se, while perhaps a necessary condition for agricultural development, is certainly not a sufficient condition; and if land redistribution is to be successful, on any wide scale, it must be accompanied by several other changes, chief of which are more adequate agricultural research and extension services, improved and more widely dispersed general education for all rural people, sufficient agricultural credit tailored for the various agricultural needs, and improved and expanded marketing services. As can be imagined, the provision of these services is likewise a costly matter, and costs increase geometrically as the pace at which the services are provided is speeded up. However, if these services are expanded and improved simultaneously with land redistribution, one cannot say that land redistribution was the cause of the increased output and efficiency.

3. It would be well to recognize that the financial implications of agrarian reform programs might be quite different if other concepts of agrarian reform were used.

In addition to the direct costs of acquiring land, there are other aspects associated with land redistribution and agrarian reform which also require considerable financial support. These include studies and surveys needed for describing farm limits and physical characteristics of the land; administrative costs; training administrators, farmers, and the technicians needed to instruct farmers; as well as providing credit, extension and research services. The following comments related to the financing of these services may seem to be presented in a vacuum, for no suggestions are offered on how to reduce real costs or increase revenues. The only point made is that through a change in accounting practices the cost of executing agrarian reform programs can be greatly reduced if many of the above listed programs are charged to over-all economic and social development rather than to agrarian reform. This practice would not lessen the need for fiscal revenues or the effect on government finances of providing them. Rather it provides a more rational way of developing agrarian reform programs in that land redistribution programs, colonization projects, and the provision of services required to support and encourage a vigorous, efficient agriculture can be budgeted separately instead of being lumped together into one agrarian reform budget. While this procedure may increase the public acceptance of reform programs, it should not fool government planners, for if any or all of these programs are needed to make agrarian reform successful, the cost to the government is the same regardless of which program budget they are charged to. Therefore, while decreasing the cost charged to agrarian reform, the costs of other programs are thereby increased.

I

If land redistribution, apart from outright confiscation, is to be completed within (say) three to five years, and if it is to be accompanied with adequate auxiliary services, the cost of such programs would be great and would certainly require an immediate transfer of income from the non-farm to the farm sector as well as from the owners of large farms to the operators of newly established units. This fact needs to be clearly faced, and unless these income transfers are compatible with plans for over-all economic and social development, the idea of having a thorough-going, complete land-reform and land-redistribution program realized in a short period of time should be regarded as nothing more than dangerous, political demagoguery.^{4/}

4. The implication here is that very few, if any, development plans call for an income transfer from non-farm to farm but rather the reverse, i.e., that the farm sector is expected to help finance overall economic and social development.

However, the objective of this paper is not only to point out what cannot be done--important as this is--but also to indicate ways in which agrarian reform programs can be financed, consistent with other programs for economic and social development. In the context of this paper, this means how to finance the redistribution of land.

The chief problem associated with redistributing privately owned land is deciding upon the extent to which owners are to be compensated for their properties. In signing the Charter of Punta del Este, the American Republics agreed to work toward the achievement of the goal that "the land will become for the man who works it the basis of his economic stability, the foundation of his increasing welfare, and the guarantee of his freedom and dignity," which is generally taken to mean family size, owner-operated farms. However, the philosophy of the Charter is also commonly assumed to imply that just compensation will be paid for expropriated property. This points up the central problem: Governments do not have sufficient financial resources to redistribute any significant amount of private land if present owners are to be paid in cash the market value of their land. However, programs are often designed which purport to redistribute large quantities of land and at the same time pay owners the full value of their properties. But this is difficult if full value is taken to mean cash payment or its equivalent at time of sale. Such programs are of course possible if compensation is measured in monetary rather than real terms and sufficient inflation occurs to depreciate the value of money. But it is doubtful whether payments can in fact be considered as "payment in full" if landowners' purchasing power is greatly reduced as the result of selling their land. Various proposals have been suggested for fully compensating owners while at the same time lowering their purchasing power. For example, one suggestion is to force land values to fall by increasing property taxes. Another suggestion is for payments to be made in non-negotiable bonds whose value would be largely eroded away at time of maturity. Finally, it is sometimes proposed that the owners of land not fulfilling its social function have by this neglect, forfeited their right to compensation and, therefore, the State should confiscate these properties.

The idea expressed in this paper is that the cost of land redistribution need not place an undue financial burden upon any government and that compensation to present landowners can approximate full value if the new owners of land are made to pay for the land rather than receive it free or at a price lower than its real value. The reasoning goes as follows: In a society of rational entrepreneurs there is a use cost for all factors of production, including land. Therefore, at the present time, some part of gross farm income goes as payment for the use of land. In many cases, this is interest on investment or returns to the capital invested in land. For those farms which are rented, this is the rental payment to the owner.

One of the suppositions underlying the need for land redistribution is that the new, optimum size units will be more productive than present farms. If this is so, there is no reason why new owners should not also pay a land charge which could then be used to pay the original owners the value of their farms. This in essence is the program which was endorsed by Special Committee II of IA-ECOSOC on Agricultural Development and Agrarian Reform, in the report of its second meeting, July 1963, in San Jose, Costa Rica.^{5/} The Committee recommended "that new owners under agrarian reform programs make specified, reasonable payments for the land received, after a reasonable term during which they are allowed to get settled, and in keeping with their income." Under this plan, present owners of land acquired by the Agrarian Reform Agency would not receive lump sum payments for their farms, but rather annual payments, consisting of principal and interest, would be made which might equal but certainly never exceed the payments made by the new land owners.

Before entering into a discussion of specific problems, some brief, general comments relative to financing agrarian reform programs may be useful. From the fiscal standpoint, financing agrarian reform is no different than the financing of other government programs. Questions of total project cost, how revenue is to be raised, i.e., who is to pay how much and who is to benefit from the program, need to be answered for all government programs, including those for agrarian reform. Once clear, consistent, unambiguous answers to these questions are formulated, decisions can more easily be made concerning the financial feasibility of executing such programs. Implicit in the questions of who is to pay and who is to benefit, is the matter of income transfers. These are particularly important in agrarian reform programs for, whether stated explicitly or merely implied, one of the principal objectives of agrarian reform is the redistribution of income.

However, the way in which income is to be redistributed through land redistribution is seldom made clear. Does this mean redistributing income (1) solely through modifying the distribution of current agricultural income, or (2) does it imply changing the distribution of assets as well? In the first case, a redistribution of income is predicated on the assumption that the incomes of new owners will increase while those of former owners remain the same. In this situation, only the composition, not the value, of assets held by former landowners would change as they exchanged their land for other income producing assets.^{6/} A more equal income

5. Report of the Second meeting of Special Committee II: Agricultural Development and Agrarian Reform, CIES/Com.II/17, 23 July 1963, Pan American Union.

6. It is recognized that the income distribution may not change or may even worsen if the assets acquired in place of land returned more income than land, or if the new owners were less productive than the original landowners.

distribution would result in the second case, for not only would incomes of new owners increase, but former owners' incomes would also drop, since they would own fewer income earning assets as a consequence of receiving less than full value for their properties. In the first case, the income distribution improves because of increased earning power on the part of new owners, while the income and asset position of old owners remains unchanged. It should be recognized that this is a rather ineffective way to redistribute income and will not modify the income distribution appreciably, and hardly at all in the early years of the program. A redistribution of wealth, on the other hand, would result in immediate and significant changes in the distribution of income.⁷

Failure on the part of many proponents and designers of agrarian reform programs to recognize these differences has prevented any general image of what agrarian reform is from developing. Consequently, confusion reigns regarding objectives, costs, and probable benefits of agrarian reform with the result that there is no large scale public acceptance for specific agrarian reform proposals. The plea here is that in program formulation explicit recognition be given to the ends which are to be achieved and that programs then be designed specifically to meet these objectives.

II

It may be well at this point to consider how the source of revenue for financing agrarian reform programs affects sectoral income transfers. Revenue generated as a result of the program is one possibility, and in this case there need be no transfer of income from one group to another.⁸ However, many proponents of agrarian reform reject the idea that those benefited either should or can pay total program costs. That is, whether explicitly recognized or not, they advocate an income transfer to this selected group of farmers, often with the further suggestion that this income transfer come from large landholders. Therefore, the wealth and income of owners of large tracts of agricultural land is a second source of revenue for financing agrarian reform programs. This would be a transfer within the agricultural sector from one group to another. Therefore, excluding agricultural workers as a source of revenue, income generated as a

7. Land redistribution is not the only way to redistribute income. If more equal income distribution is one of the principle goals of agrarian reform programs, these programs should not be judged solely on their own merits, but rather in comparison with other methods for redistributing income, such as inheritance, gift and income taxes.

8. Abstracting from the problem of time preference. For, in the beginning there will, of course, have to be a temporary transfer from some part of the economy to those carrying out the program; but through correct interest charges, the repayment program can properly compensate for this, so that in the end no income transfer need have resulted.

result of the program and the wealth and income of owners of large tracts of land are the only two sources of funds within the agricultural sector for financing agrarian reform programs.^{9/}

A third source of financing could result from a transfer of income from the non-farm to the farm sector. This is a readily accepted source by many proponents of agrarian reform whose training and background are largely agricultural, for they are aware of existing farm non-farm income differentials. However, they are ignorant of, or choose to ignore, the fact that many national development plans are based on a net transfer of income from the farm to the non-farm sector to help carry out overall economic and social development. Obviously, while two-way transfers between sectors can simultaneously take place, unless neutral, the net result of these transfers can only be in one direction: either from the farm to the non-farm sector or vice-versa. Therefore, the role of the agricultural sector in financing economic development must be made explicit, and measures used to finance agrarian reform programs should be consistent with overall development plans.

III

The first problem which needs to be answered in developing a program for redistributing land is to decide whether the redistribution is to result in income transfers; and if so, the decision needs to be made whether only current income is to be affected or whether there is also to be a redistribution of assets. One of the principal means of affecting this income transfer, particularly with respect to a redistribution of assets, is through the prices set by the Agrarian Reform Agency in acquiring and disposing of land. Conceptually, land redistribution schemes could be neutral with respect to income transfers; that is, the price paid for land by new owners would be sufficient to adequately compensate present owners for any land expropriated by the Agrarian Reform Agency. However, this possibility is often frowned upon by proponents of agrarian reform, for as has been indicated, reform programs are to result in a more equal distribution of income. Therefore, instead of being neutral, land redistribution programs, depending upon the level at which prices are set, can be used to transfer income and/or wealth from present landowners to either the State or to new owners.^{10/} At the same time, the price at which land is resold, can be an effective means of transferring income and/or wealth to the new landholders.

9. Agricultural labor is excluded since there is quite wide agreement that farm labor is now receiving less than needed for an adequate level of living.

10. The net worth or wealth position of present landholders would be increased if they were paid more than their land was worth. This may appear as a ridiculous possibility, but compensation schemes should be checked both in their development and execution to insure that this does not occur.

Since the price at which land is bought and sold by the Agrarian Reform Agency plays such a large part in determining the extent to which the objectives of the reform are achieved, and since the words price and value are often used interchangeably in discussions of agrarian reform, it may be well to differentiate between the meaning attached to these words in this paper. Value carries the connotation of economic worth, income producing ability, or the quantity of other economic goods one would be willing to exchange for the good in question. Whereas price is the monetary sum the Agrarian Reform Agency places on the parcel of land in question, arrived at from administrative regulations set forth in the Agrarian Reform law. Therefore, depending upon the regulations and their interpretation, the price at which land is bought and sold may be quite different from the value of the land.

Often the intent of administrative regulations is to deliberately set prices at which land is bought below the value of the land in order to lower the net worth and income earning ability of landowners as a means of redistributing income and wealth. This action is often justified on grounds that it makes up for non-payment of land taxes or simply because of insufficient funds with which to pay a higher price. The propriety of these reasons is neither questioned nor discussed here. Rather, the point to be made is that in setting prices, the difference between price and value should not be confused, and the objectives to be achieved by the reform should be clearly understood and taken into account at the time prices are determined. Even though set administratively, prices usually are to bear some relationship to value and, therefore, the first problem is to determine land value according to some accepted system of valuation. Four methods have commonly been suggested as the appropriate way to determine value. In addition to these four, a fifth is also suggested as perhaps being the most useful for present day situations. These five methods are: (1) value as determined by the free land market; (2) capitalized value based on income calculated from historical yields and costs; (3) capitalized value based on income potential calculated from potential yields and costs; (4) cadastral or assessed value; and (5) self-assessed value.

In Latin America, the concept of value determined by the free land market is not very useful, since there are too few voluntary sales from which to generalize price. (If this were not the case, but instead a brisk land market existed, there would be little need for expropriation and forced land redistribution.) This method conceptually approximates the true market value of land and, since price and value would be equal, should not result in any income transfer. It is doubtful, however, whether there are sufficient data on contemporary land sales to make this a workable method.

In the face of existing imperfect land markets, many appraisers prefer to value land according to its income producing ability.¹¹ This concept particularly appeals to those who feel that while the State has the right to expropriate property to insure its proper use, it also has the obligation and responsibility to adequately compensate owners of expropriated property, thereby protecting and respecting the rights of private property. They, therefore, advocate that the price paid owners be based on the income earning ability of the land. This in itself is not an unambiguous method, for, as indicated, income can be based on historical yields and costs or on potential yields and costs, and the mere fact that there is the need for land redistribution should imply that land at present is improperly used and that value based on historical yields would differ considerably from value based on potential yields. However, it would seem that price based on historical yields and costs would more nearly reflect the actual economic value of the farm to present owners and should be the basis of payment for expropriated land; while potential yields and costs should more nearly reflect the income to be earned by new owners and, therefore, potential income should be the basis upon which land is resold to new owners. The fact that this would result in land being sold by the Agrarian Reform Agency for more than it paid should be of no import, for by the fact that present yields are below projected potential yields, the present owners would have demonstrated that they are either unwilling or lack the ability to achieve the level of income projected for the new owners.

Advocates of basing price on cadastral or assessed value argue that the basis upon which taxes are paid is also the proper basis for compensation of expropriated property and that the market value or income producing ability of the land is of no relevance in determining just compensation. However, since land is grossly undervalued for tax purposes, this proposal naturally is violently opposed by landowners as well as by many others, for it is a deliberate attempt to transfer income and wealth away from large landholders.

The principle of self-assessment is suggested as a compromise of all these methods. Under this system the owner himself would assess the value of his holdings. This value would then be the price the land reform agency would pay for the property if purchased as well as being the value upon which property tax liability were determined. It reflects market value in that owners are probably the best suited to value their farms in relation

11. This method has one serious limitation in that if land is to receive its true share of income, all other factors have to be correctly priced. This generally causes no trouble except in deciding upon a charge for management, but since there is no market price for management services, the split between land and management must be arrived at arbitrarily.

to neighboring farms. Assuming landowners to be interested in maximizing income from their invested capital, they can value their farm relative to its income producing ability in relation to other assets. Finally, the self-assessed value, since estimated by the owner, cannot be called unfair or discriminatory if it is used for both tax purposes and for determining the sales price.

If the owner undervalues his property in order to keep his tax liability low, the land reform agency acquires the land at a low price; but if owners do not wish to run this risk of having to sell their land at less than its real value to them, they must pay taxes on what they consider to be the real value of their property. This system needs to permit annual adjustments in assessments to reflect changing land values which might result from inflation, improved technology, and changed market conditions. Therefore, if inflation becomes a significant factor, a mechanism is provided to insure that land assessments keep pace with it. For this proposal to be effective, the Land Reform Agency must have sufficient funds and authority to buy undervalued land, for it is only the threat of loss of capital through sale at a low price that will motivate correct assessments. However, the amount of land which the land reform agency can acquire will be determined by the size of the budget available for this purpose and the price that is paid for the land. Therefore, it is recognized that high assessments may limit the amount of land which can be acquired for redistribution. If owners were to be fully compensated for their properties, it is doubtful that land acquisition costs would be higher under a program in which owners receive an amount equal to the value they themselves place on their property for tax purposes compared to other methods of valuation attempting to pay full compensation. For, the Land Reform Agency should be free to purchase only that land deemed desirable, and, therefore, over-valued land would not be purchased; and since owners must pay taxes on the basis of their declared valuation, they would probably not be inclined to over-assess their land. However, as a safeguard, the price paid for land purchased by the Agrarian Reform Agency should be an average of the assessments for (say) the last three years for which taxes have been paid.^{12/}

12. A more effective but drastic system of determining the price to be paid for expropriated land would be to base purchase price on the average value of assessments for the last three calendar years where non-payment of taxes for any one year would imply zero assessment for that year. Therefore, if taxes were not paid for three consecutive years, the purchase price would be zero; if not paid for two of the last three years, the price would be one-third of the assessed value for the year in which taxes were paid; and if not paid for one of the last three years, two-thirds of the average value for the two-year period. Such a system would greatly encourage full payment of taxes. (For a fuller treatment of this idea, see Wade F. Gregory, "Agricultural Taxation as a Tool of Development" in Tax Reform for Latin-America: II Problems of Tax Policy, Pan American Union, to be published.)

It is important to note the fact, however, that in many cases the market value of farms as viewed by present owners, i.e., the price at which they would be willing to sell their farms, will be higher than a value based on capitalizing the income actually being earned by the farm. If land were strictly an economic factor of production and held principally for production purposes, these two values would more or less be equal, and the market value of land could be determined by dividing net annual income by an appropriate rate of interest. However, one of the main reasons there is a need for land redistribution is the fact that many owners of large estates do not hold land strictly for production purposes, but rather for a complex of reasons, such as a hedge against inflation, social and political prestige, and the fact that properties have been in the same family for generations. Therefore, it is quite likely that present owners value their farms above the earning potential of the land as it is presently being farmed. The question that needs to be answered then is "should present owners be paid for these non-economic values they place on land?" If so, it is unlikely that new owners will be able to pay this high a price for land, and the State would then have to make up the difference, either out of general revenue, printing of bonds, etc. If owners were not paid this price, there would be a general lowering of their real-income position. However, this may be one of the precise objectives of agrarian reform programs. Namely, to eliminate and dissociate these kinds of factors from land values so as to reduce land primarily to an economic factor of production, so that it will be used more in conformity with the goals and objectives of overall economic and social development. Whether or not owners are or should be paid for these "non-economic" values is a political question and must be decided as such. Economics has little to offer in this area other than to point out what part of market value is due to these factors and what part is value as reflected by earning potential. However, if a more equal distribution of income and wealth, as stated in the Charter of Punta del Este, is to be achieved, this may come about only through a forced ¹³/ redistribution of wealth and income from the "haves" to the "have nots". Therefore, as noted in an earlier part, one of the ways to achieve this redistribution is to underprice land in relation to its value.

IV

As indicated in the first part of this paper, the best method of financing land transfers is for new owners to begin paying for land after a grace period of from 3 to 5 years and these payments, in turn, be used to pay present owners. In considering this alternative, it should be recognized that this system penalizes present owners in three ways (irrespective of the effect which may be

13. Forced, in the sense that very few people willingly distribute their assets to others and, therefore, there is a need for forced redistribution through taxes, expropriation, etc.

imposed by setting the purchase price below market value): (1) Unless a market develops for the rights to receive payments made by new owners, the asset position of former owners becomes frozen to the extent that they can neither liquidate nor exchange this asset for another; (2) real income earned by this asset decreases with inflation;^{14/} and (3) income is foregone for the 3 to 5-year grace period, even though this can be made up in later payments. This last may cause considerable hardships on those landholders, such as widows, elderly persons, handicapped, etc., who are dependent solely upon land rents for their income. For these persons, it probably would be desirable for governments to begin payments immediately from general revenues until such time as new owners began their payments.

Before discussing other methods, it might be well to point out one alternative which is completely unworkable if significant amounts of land are to be distributed: this is payment in full at time of purchase. This alternative is absolutely impossible unless governments are to resort to printing money in considerable quantities. However, it should be noted that cash payment in full at time of purchase is the only constitutional alternative open for many Latin American countries even though provisions in their Agrarian Reform Laws may specify other means.

Probably one of the more popular proposals with many exponents of land reform is for owners of expropriated land to be paid with 10, 15, or 20-year government bonds. If interest were paid annually on these bonds, there would be little difference between this scheme and that suggested above whereby the payment of new owners were used to pay former owners for their expropriated land.^{15/} Also, the payments of those purchasing land could be used to retire the bonds and thus reduce the inflationary pressure which might otherwise result if governments issued bonds without any compensating means of meeting the indebtedness.

Reluctance on the part of large landholders to accept bonds might logically stem from two fears: (1) the loss of purchasing power of the bonds due to inflation, and (2) the lack of faith that bonds would in fact be redeemed at

14. Since one of the objectives of land redistribution is to achieve a more equal income distribution, inflation would be an effective way to transfer income from former landowners to those buying the land. However, if this were not the desired objective, the effects of inflation could be fairly easily counteracted by expressing annual payments in terms of commodities rather than money; for example, in terms of wheat, meat, cotton, coffee, bananas, etc.

15. If interest were not paid annually, but rather included in the value of bonds at maturity landowners in reality would scarcely receive any compensation for their land, for in addition to inflation depreciating the face value of the bonds, owners would also have been deprived of any annual income.

date of maturity. Making bonds negotiable may help to reduce these fears; and the discount at which bonds were sold would be a measure of the extent of these fears. One difficulty in making bonds negotiable, however, would be the increased inflationary pressure which would result. But, if by being negotiable, bonds were dispersed among various sectors of the economy, sufficient force may be created to insure that governments would not renege on redeeming bonds at time of maturity.

Rather than just printing bonds, governments should issue them only to the extent that financial backing were available. For the major part, this backing should come from payments made by new landowners after the end of the 3 to 5-year grace period. However, revenue could also come from public sale of bonds; and to the extent that agrarian reform is considered a social welfare program, financing from general government revenues would also be appropriate. To the extent that bonds were financed by these methods, they would be non-inflationary. For the remainder, governments could resort to money creation through national development banks in the same manner that banks customarily create new money to finance legitimate needs for business and industrial expansion. The inflationary effect of this program would be dependent upon a whole series of government actions but a discussion of these are outside the scope of this paper.

One ramification of payment in bonds which merits consideration is the linking of land redistribution to industrialization through payment in industrial development bonds. These bonds would be negotiable and could be exchanged immediately or at any future time for credit toward the purchase of resources needed for the creation of new industries or the improvement and expansion of old ones.^{16/}

16. A reason often advanced for not paying landowners in cash is that they will spend the money for non-productive purposes or invest it outside the country. However, whether tied to industrial development or other like schemes, bonds can eventually be turned into free funds for use in whatever manner desired. For example, if proceeds from the sale of bonds can be used only for industrial development, there is no reason to suppose that one could not sell the industrial enterprises resulting from the exchange of bonds. The argument that at least some industrial development occurred is not a valid one, for there is no reason to suppose that the same development would not have occurred if funds had been made available directly rather than in the roundabout way of using industrial development bonds to finance land redistribution.

Aside from large pools of unskilled labor, many underdeveloped countries have a scarcity of the resources needed for industrial development as well as a shortage of capital with which to acquire these resources. At the same time, however, considerable quantities of capital in the form of farm land are immobilized, which if mobilized, could be used to help finance industrial development. The issuance of industrial development bonds in payment for expropriated land is a step toward mobilizing land capital and putting it to immediate productive use.

The program might work as follows: Land owners would be paid in industrial development bonds which could be held until maturity or else could be redeemed at par for either shares in government financed industries or for credit toward industrial development.¹⁷ Other non-industrial uses for which bonds could be exchanged might be the establishment of agricultural credit and farm management services whereby landowners exchange their lands for capital with which to establish agricultural lending institutions or advisory services.

So far, only domestic sources of revenue have been considered for redeeming bonds, but conceptually at least there is no reason why foreign capital could not also be used to simultaneously finance land redistribution and promote industrial development. Likewise, the use of foreign capital need not interfere with the use of domestic capital in underwriting industrial development bonds but rather could serve to reinforce and complement the program.

Many countries have or are in the process of preparing national development programs in which industrial development looms rather large. These plans are predicated on the assumption that much external credit will be made available for industrial development. The suggestion made here is that instead of this foreign capital going directly into industrial development, that it, or at least some part of it, be used as backing for the issuance of industrial development bonds which would in turn be used as payment for expropriated land. This would not change the final use of external capital, but only encourage large landholders to trade their land for business and industrial enterprises and to become industrialists rather than agriculturalists.

Some may object to this proposal on the grounds that it is unfair or unwise to deliberately weight the developing industrial complex with former agriculturalists. But this may in fact be an added plus value for the proposal, since large landholders may be the best pool of entrepreneurial talent available in

17. Some limitations on the degree of control in these industries which any one person or any one sector of the economy could hold, might have to be imposed to insure that the operation of the industry continues to serve the interests of all society rather than a select few.

many countries, and without this talent industrial development may have serious difficulties in finding competent managers and directors. However, since there is widespread belief that large landholders misuse their economic power, steps should probably be taken to insure that concentration of industrial power does not result from the issuance of industrial development bonds and that the rights of workers and consumers are adequately protected.

As increased attention is given to agrarian reform problems, new faces and new ideas appear, and from these has come renewed interest in renting as a partial solution for some tenure problems, particularly since renting is one way of economizing on capital. This was recognized by Special Committee II of the IA-ECOSOC in the report of its second meeting,^{18/} where it concluded that "governments can decrease cost of purchasing land if measures are taken to allow for the leasing of family units with an option to buy." Therefore, it may be well to briefly explore the implications of renting. Implicit in the concept that agrarian reform is concerned with the redistribution of rights to own and/or operate land is the premise that rights to operate land may sufficiently meet the conditions of agrarian reform and adequately substitute for land ownership. In fact, the argument made here is that for some situations, it is preferable for farm operators to rent land rather than own it. This has direct relevance on a discussion of financing agrarian reform, for if the desired results can be achieved through renting rather than through a change in ownership, the need for capital to finance land sales is thereby eliminated.

If the only way farm workers could gain control over land was to purchase it, many workers would have to spend an excessive part of their income in payment for land if they were to become farm operators. Therefore, owning land would deprive them of needed operating capital, thereby lowering their productivity, income, and standard of living. Whereas, if only a rental charge had to be paid, a larger part of income could be used for operating capital, consumption, or both. The rental charge, if correctly arrived at, should equal payment for the use of land, which is really interest on the capital invested in land and has to be paid regardless of type of tenure. For owner-operated farms, the farm owner, in a sense, pays this rent to himself, but he first has to forego sufficient consumption to save and invest an amount equal to the value of the farm. In some cases, it may be preferable for him to invest in operating capital rather than in real estate, while in others, it may be preferable for him to increase his consumption rather than to save and invest. The difference between renting and buying family-operated units is that in those cases where operators' income are great enough to permit investments after the land charge is paid, some farmers may wish to invest in land and become owner-operators, while others may prefer to remain tenant-operators and invest in operating capital rather than land. However, in both cases profits from operation, sometimes called returns to management, would be received by the

18. Ibid.

operator in addition to his labor share, and in this way the total income received by the renter-operator would be greater than what he would receive as a farm laborer.^{19/}

It is recognized that because of their greater authority and economic power, landlords can abuse and take advantage of tenants. However, rental arrangements have been a subject of much study and investigation, and from the evidence and experience accumulated, it is possible to develop safeguards which can adequately protect the interests of both landlord and tenant and which would tend to create an environment from which would come increased productivity and an equitable distribution of the product.

V

Discussions of agrarian reform usually include some reference to colonization projects. As used here, this term refers to settlement of areas largely devoid of population and infrastructure in contrast to land redistribution which concerns the redistribution of rights to own and/or operate land in existing farms. In this context, the financial aspects of colonization programs are quite different from those programs aimed at land redistribution. Not only are the financial aspects different, but the objectives of these two programs should also be quite different. If land redistribution is aimed primarily at increasing resource efficiency of the farm sector, principally land resources, a program to colonize unsettled land is not the correct means to this end, for it cannot have very direct or immediate effects on the manner in which land already in farms is used. Colonization may provide new employment and increase total agricultural output through an expansion of total area farmed, but it will have little or no effect on the efficiency with which present resources are used or on the distribution of income earned from the sale of farm products.

Two kinds of costs are incurred in the development of colonization projects, and both are quite expensive. One deals with reconnaissance surveys and feasibility studies to determine which are the appropriate and best areas for settlement, since the fact that an area has idle land and is unpopulated does not mean that it is a good site for a colonization project. The other type of costs has to do with the establishment of infrastructure to and in the area selected for settlement. These include the building of roads, schools, medical facilities, provision of police protection, etc.; and for each family settled, land must be cleared, houses built, water systems developed, etc. Not only do these activities require considerable capital, but there is also the time cost of waiting until land is cleared and crops are planted, harvested, and marketed.

19. Taken from PROBLEMS OF AGRICULTURAL DEVELOPMENT, CIES/Com.II/21, Pan American Union, 1963.

This waiting cost applies not only to the production of commercial crops but also for subsistence production; therefore, there is also the cost of maintaining families until a harvest is realized.

Most of the colonization projects which have been prepared are quite expensive; for example, those recently submitted for financing to the Inter-American Development Bank ran from a low of \$1897 per family to a high of \$35,986. In deciding whether to carry out these projects, governments should consider that resources allocated for colonization projects means that some other projects cannot be executed. However, colonization costs could be greatly reduced if only the essential elements needed by settlers were provided rather than fully developing an area prior to settlement. The aim should be to provide a large number of people with the opportunity to better their situation through hard work rather than to raise a few selected farm workers from poverty to relative riches overnight. This would mean that most of the labor needed for building roads and houses, clearing forests, constructing fences, etc. would be provided by the settlers themselves at no financial cost to the government other than food until the first harvest, simple equipment, seeds, and other essential factors of production, plus technical supervision to guide and direct the productive efforts. This is what is often referred to as making maximum use of self-help on the part of settlers in the execution of colonization projects.

VI

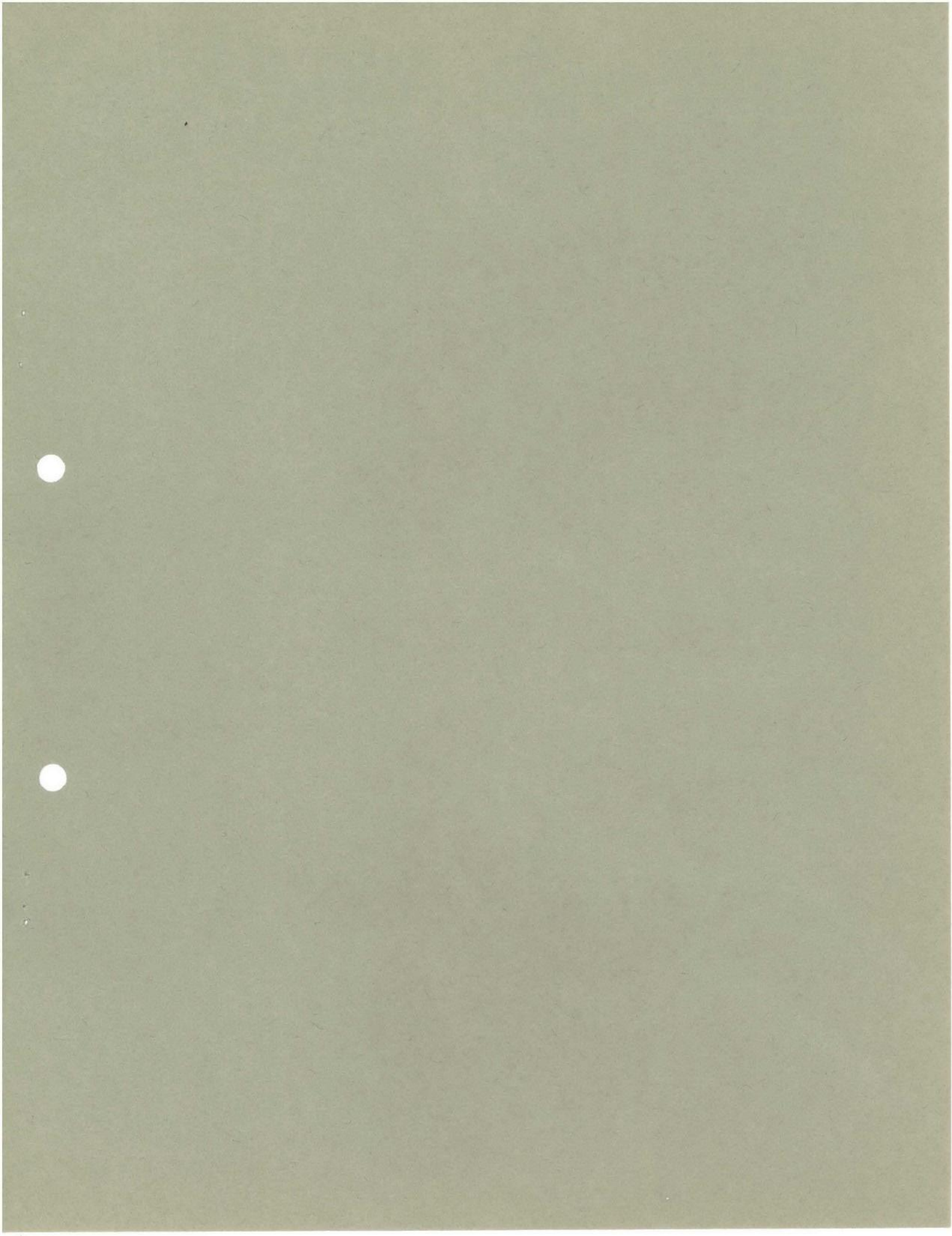
In conclusion: The redistribution of land can take place without much strain upon government finances if governments primarily serve as catalysts or middlemen in the transfer of land from present owners of large estates to future owners of family-sized farms if, and only if, the new owners (after a period of several years) make monthly or annual payments for the land, and these payments are used to compensate present owners. Future owners should pay the full value of the land based on the income potential of the land, for there is no reason why the fortunate few who receive the right to purchase land should be given something for nothing. Likewise, this price should set the upper limit on the value received by present owners. However, while determining the upper limit, present owners may receive less than this for either of two reasons: (1) as a way of redistributing income and wealth, and (2) they should not receive a price any higher than one based on income actually realized even though value based on potential income may be higher.

This suggestion is quite similar to using amortized real estate mortgages. The difference being that with the use of mortgages, sellers receive full payment at the time of sale with the buyer making his principal and interest

payments to the holder of the mortgage. In the method suggested here, the seller in a sense, is forced to serve as the holder of the mortgage (unless of course he sells his rights to someone else) with the government or Agrarian Reform Agency serving as middleman to receive payments from the buyer and to transfer these payments to the seller. Bonds can be used to pay owners without basically modifying the scheme if they are looked upon as a first mortgage on the property and are to be retired through payments of the new landowners. Other modifications mentioned were tying industrial development to land redistribution by paying for land with industrial development bonds which could be redeemed at any time for industrial development capital.

The above program is really an over-simplification of the problem, for the real difficulties arise in the fact that underlying agrarian reform is the intent to redistribute income and wealth in the process of redistributing land. This is to be accomplished by paying owners less than they presently value their land, and in some cases reselling land to new owners at a very low price. Therefore, in considering the financial aspects of agrarian reform, the objectives of the program with respect to income distribution and income and wealth transfers need to be clearly spelled out and programs developed which are consistent with these objectives.

72267-PB



Copy Filed
HRO. Spec Fund

A POTENTIAL INSTITUTION AND PROCEDURE FOR FINANCING
AGRARIAN REFORM AND STIMULATING INDUSTRIALIZATION IN PERU

Jointly by Fred Mann & Melvin Blase*

Two characteristics can be observed in most underdeveloped countries. One is ownership of the land in the predominantly agrarian economies by a relatively small proportion of the population. The other is the lack of adequately developed non-agricultural industries that results in low per capita incomes. Frequently, suggestions have been made that it would be desirable to accomplish (1) the sale of agricultural land to smaller owner-operators, and (2) the investment of the land-sale proceeds in new industry. Not only are the two above mentioned characteristics present in Peru, but also the agrarian reform-industrialization suggestion has been made, as well.^{1/} The purpose of this paper is to conceptualize an institutional arrangement which will enable the agrarian reform-industrialization suggestion to become a reality.

* Respectively, Assistant Professor of Law, State University of Iowa and Assistant Professor of Economics, Iowa State University. The authors, who are stationed in Lima, Peru under the Iowa Universities-AID Contract, prepared a preliminary draft of this paper in mid-October, 1963. This draft was prepared in mid-November, 1963.

^{1/} See: Timmons, J. F. and O'Byrne, J. C., Economic Development Through Agrarian Reform in Peru. Iowa State University and State University of Iowa, Ames and Iowa City, Iowa, November 1962. (unpublished).

Objectives of the Institutional Arrangement

The following explicit objectives were sought in the conceptualization of the institutional arrangement described in this paper:

1. Provide an institutional means for financing agrarian reform in Peru.
2. Stimulate non-agricultural industrial development of the country.
3. Make agrarian reform more acceptable by minimizing risk.
4. Utilize existing public institutions.
5. Minimize the extent of public control in accomplishing these objectives.

*1/5 financing a
bottleneck?*

The cost of financing agrarian reform in Peru ^{2/} represents a substantial but not insurmountable obstacle. The bill submitted by the present Peruvian administration to the Congress proposes to subject a specified amount of land to voluntary or involuntary transfer for agrarian reform purposes. Based on the most recent agricultural census there are 1,743,000 hectares of cultivable land and 3,000,000 hectares of natural pasture land subject to reform under the government proposal. An estimate of the value of land of \$4,429.00 per hectarea for cultivable land and \$176.00 per hectarea for natural pasture land has been made.

*= \$67/acre
= \$2.70/acre*

Based upon these estimates of the total of land involved and the average price per hectarea, the total cost of the agrarian reform program in Peru is estimated at \$8,248,000,000 (308,000,000 dollars). If a ten year agrarian reform program is assumed (This assumption seems to have merit based upon the magnitude of the task and the resources available for accomplishing it), the annual cost of the agrarian reform would be \$824,800,000. (30,800,000 dollars).^{3/}

^{2/} Estimates of the cost of agrarian reform under the government proposal were made primarily by Dr. Erik Thorbecke with the assistance of Professor Herbert B. Howell.

^{3/} Ibid.

The second objective of the proposed institutional arrangement is to stimulate non-agricultural industrial development in Peru. Past experience has indicated that "flight capital" is a major problem in South American countries. While comprehensive statistics are not available on the amount of "flight capital" that has left Peru, the ratio of domestic to foreign investment in the country that has persisted over time suggests that the problem is a major one. Consequently, it would appear logical to assume that a \$8,248,000,000 cash payment for agrarian reform land, without limitations on the movement of capital, would generate an appreciable amount of "flight capital". In addition the channeling of these liquid assets into Peruvian industries is desirable. It will not only help to relieve the present problems of unemployment and under-employment of labor, but also generate higher per capita incomes that are necessary if political stability is to be maintained.

possible?
Guacra

However, the availability of labor is not the only important consideration in evaluating the potentiality of investment in non-agricultural industries. In addition, the magnitude of the increase in industrial investments--due to the channeling of land-sale funds into industry--must be considered ^{relative} to the present rate of annual net investment. The \$824,800,000 annual cost of agrarian reform, if channeled into industrial investments, would constitute ten percent of the current annual net private sector investment.^{4/}

Can't the labor be used in a way that's not

Consequently, it appears that an annual investment of \$824,800,000 resulting from a ten year agrarian reform program could be absorbed by the Peruvian economy--if an institutional means could be developed for channeling the land-sale receipts into this type of investment.

The third objective of the proposal described in this paper is to make agrarian reform more acceptable by minimizing risk. The present Peruvian administration's

^{4/} This estimate was also made by Professor Thorbecke.

proposal for financing agrarian reform by the issuing of bonds has encountered considerable opposition. Opponents, many present hacienda owners included, contend that payment in fixed obligation instruments makes them extremely vulnerable to inflation. The objective of the proposal presented here is to reduce this risk by issuing payments for the land in the form of security instruments that will not be substantially affected by inflation.

The fourth objective of the proposed institutional arrangement is to utilize public institutions insofar as is possible. With the exception of one new institution, existing institutions in Peru will be relied upon to carry out agrarian reform and stimulation of industrial development of the country.

The final objective of the proposed institutional arrangement is to minimize the extent of public control in accomplishing the other objectives. Consequently, the present hacienda owners are given options whenever possible by which they can express their preference for action. Naturally, an agrarian reform program requires certain social controls over individual action. However, the extent of this control will be minimized insofar as is possible.

Institutions Involved in Agrarian Reform - Industrialization Procedure

In keeping with Objective 4, only one new institution will be created in the procedure that is visualized. This will be a trust, hereafter referred to as the Agrarian-Industrial Investment Trust (The A-1 Investment Trust). The remaining functions necessitated by the procedure will be performed by existing institutions.

Those existing institutions expected to perform major roles are AID/Peru, National Planning Institute, National Institute of Industrial Promotion, Institute of Agrarian Reform and Colonization (IRAC), Agricultural Development Bank, Industrial Development Bank, and the Graduate School of Business Administration. In addition to these institutions, other groups that will be involved are public and private financing agencies, (both domestic and international), present large land-owners, prospective small farmers, commercial banks in Peru, and private industrial enterprises.

Steps Visualized in the Procedure

The suggested agrarian reform-industrialization procedure will be initiated by the establishment of the agrarian-industrial investment Trust by the Peruvian Congress.

Authority, Responsibility and Direction of the A-1 Investment Trust

The Trust will be empowered to issue certificates of beneficial interest (trust certificates) in the Trust in return for land transferred to its name. The Trust will further be obligated to execute land purchase contracts with new owner-operator purchasers as directed by IRAC in the execution of the agrarian reform program. The new land purchasers will execute notes in favor of the A-1 Trust for the amount of the purchase price in excess of the down payment.

The Trust will be 1) charged with the responsibility of managing its assets for a profit, 2) empowered to borrow funds from national and international financing agencies, and 3) obligated to invest these loan funds, as well as other assets, in industrial and related enterprises in Peru.

A selection procedure for a Board of Directors of the A-1 Investment Trust will be provided for in the Trust instrument. The number of members will be small and an odd number, preferably five. They will be appointed by the President of Peru from lists submitted by specified groups. These might include the National Institute of Industrial Promotion, Institute of Agrarian Reform, National Planning Institute, Industrial Development Bank and one representative of the President of Peru. After the Trust has been established, one board member will be reappointed each year. Normally, they will make decisions by majority vote.

Land Purchase and Sale

The Institute of Agrarian Reform, carrying out Peruvian Government policies, will obtain land through voluntary or involuntary transfer for resettling title being placed in the name of the A-1 Trust in return for Trust certificates issued

to the former landowner. The exchange of Trust certificates and land titles will occur as simultaneous transactions. The land will be resold to relatively small scale owner-operators via land purchase contracts in exchange for 1) small down-payments and 2) negotiable notes for the balance of the purchase price, payable to the A-1 trust.

IRAC will act as the action agency in these transactions, endorsing each note as surety in the name of the state. The Agricultural Development Bank will serve as fiscal agent for the A-1 Investment Trust in receiving all land payments. Likewise, the Bank will serve as fiscal agent, and IRAC as action agent, for the Trust in the event that defaults in payments on any land purchase contracts necessitate annulment of the contracts and a resale of the properties. In the event of defaults, the Government of Peru will make the land payments to the Trust, in accordance with the endorsement, from a loss insurance fund to be instituted by IRAC and funded from a small percentage charge on the land debt of the new small farmers.

Liquifying the Assets of the A-1 Investment Trust

At this point, the A-1 Investment Trust, acting through its fiscal agent for this purpose, the Industrial Development Bank, will liquify its non-cash assets (land title instruments and notes). These promises to pay over time will be converted to current money, or industrial assets, by offering them and the relevant security instruments as collateral for loans from national and international financing agencies (which may be both private and public). These loans will carry the going rate of interest in the particular money market. In addition, the A-1 Investment Trust will pledge its industrial assets as collateral for these loans, as the loan funds are converted into industrial assets in the form of shares of stock and bonds. If loans are contracted with international agencies in "hard currencies", a government guarantee may be necessary to assure repayment in case local currency inflation is too great for the trust income to cover the hard currency loans.

*Pharmaceutical
Donor*

Two additional sources of liquid assets will be drawn upon by the Trust. First, it will be appropriate for the Government of Peru to provide sufficient "seed money", e.g., one million dollars, to the Trust. Second, AID will be expected to provide a long-term loan, below private interest rates, to compensate for the extent of the discounting of the A-1 Investment Trust collateral, in liquifying its assets. This will allow the Trust to hold liquid assets for industrial investment purposes in the amount of 100% of the value of the security and title instruments in agricultural land held by it. In other words, the face value of the trust certificates will be matched 100% by liquid assets held by the trust.

Investment of Liquid by the Trust

The A-1 Trust will look to existing Peruvian institutions for direction in investing its assets. The National Planning Institute will develop a list of high priority development industries and expected rates of return on investments in each, as the basis for this direction.

The National Institute of Industrial Promotion will keep current information on investment possibilities within the high priority industries. In addition, it will furnish information to the Trust about management consulting firms and foreign firms that are willing to cooperate in the establishment of new Peruvian plants. Further, the National Institute of Industrial Promotion will provide assistance in the form of technical and promotion aid for private entrepreneurs interested in establishing new industries, or expanding existing ones.

Three alternatives exist for the conversion of A-1 investment trust liquid assets into industrial investments. These are 1) investment by the former landowners themselves, 2) investment in risk capital by the trust, and 3) investment in debt capital by the Trust. Each will be discussed in turn.

An allotted period of time after purchase of the land by the Trust via IRAC, e.g., one year, will be given each former landowner to decide whether he or the Trust will invest the cash amount of the face value of his trust certificate. If he elects to do so during this time, he may redeem the value of his certificate in the form of a cash account in the Industrial Development Bank. However, if he does so, he must use the money for industrial investment purposes:

- 1) In accordance with the priority list prepared by the National Planning Institute
- and 2) under direction of the Trust.

what does this mean?

In addition, if he wishes to invest in a wholly owned enterprise, he will be required to: 1) supply a minimum proportion, e.g., 25%, of the capital requirement from other sources, and 2) leave a portion, e.g., 25% of his interest in the Trust, as a guarantee of performance. His enterprise will be required to be incorporated. At the time he draws from the cash account allocated to him in return for his trust certificates, he will pledge a proportion of his shares of common stock in his enterprise to the Trust. The proportion of common stock assigned relative to his total investment will be in the ratio of the cash from the trust certificates to his total investment in the corporation. He will retain: 1) the right to vote the shares in making corporate policy, 2) the income from the shares, and 3) the right to sell the shares, subject to the pledge.

Further, he must guarantee, via transfer limitations on the physical equipment that represents his industrial investment, that it will not leave the country within a fixed period, e.g., 5 years. However, he will be free to sell such industrial assets to anyone who can furnish a similar guarantee that the property will not leave the country.

In the event the former land-owner elects to retain his trust certificate, the A-1 investment trust can invest in several types of risk capital. First, it could purchase shares of common stock in existing firms, in high priority industries, that wish to expand. Second, it could purchase shares of common stock in private,

newly established firms in priority industries. (Regional Development Corporations can play a major role in identifying possible firms for expansion, and potential new firms. The expanded or new firms can be expected to seek their management talent from the graduates of the new graduate school of business administration and from management consulting firms.)

In many respects, the Trust will be analogous to a mutual fund in providing this risk capital. Likewise, certain controls will be placed on the Trust, in the enabling legislation, concerning the balance to be required in its investment portfolio.

Investment in debt capital will be the third alternative open to the Trust. Fixed income investments secured by bonds will be made in private firms in high priority industries, regional development corporations, and in the Peruvian Government. Investment in debt capital will be necessary for the balance needed in the Trust's investment portfolio. Specifically, the private commercial banks will be expected to provide the bulk of the debt capital for private firms. Furthermore, large investments by the Trust in government bonds will unduly narrow the risk base. Finally, the profit maximizing objectives of the Trust should lead to investments in higher yielding alternatives (due to growth and income) than debt capital.

Regardless of the type of investment made, the Industrial Development Bank will be designated by the Trust as its fiscal agent in making the investments.

Termination of Agrarian-Industrial Investment Trust

The trust will be self-liquidating. Termination will be by stages. The rate of termination will be based on the repayments by the new landowners, and the retirement of the trust debt obligations. Any increase in the proportion of assets to debts--as 1) the land purchase payments are made, 2) trust investments are made, and 3) earnings are accumulated--will be distributed to the certificate holders

at the close of each fiscal year, as a partial termination of the trust. Each prior series will have preference in termination before a later series may participate. The termination will be allocated between certificate holders on a proportionate basis among applicants within a series. The distribution will be a distribution in kind of the trust assets. But in no event may a certificate holder receive more than a fixed percentage, e.g., 10%, of his distribution in cash, in any distribution except the final one.

The Trust will completely terminate its operation when all certificate holders have received a distribution in kind of all trust assets. Assuming a 10-year agrarian reform time-table, and a 20-year repayment period for the new land-owners, the trust will need to operate for at least 30 years. At that time, the Board of Trustees will be obligated to declare the termination of the trust after all loan commitments are satisfied.

Types of Trust Certificates

The trust certificates, which represent ownership interests in the trust, will be of two types. One will be a fixed return certificate, with a return of 5% per annum. The other will be a full-risk certificate with the annual net profit (or loss) of the trust being allocated proportionately. The former land-owner will be given an option at the outset as to which type of certificate he desires. In the event the net profit of the trust does not equal 5% in any one year, the difference paid to the holders of the fixed return certificates will be supplied to the trust from the budget of the Republic. The holders of the full-risk certificates will be allowed to draw out their profits each year, up to a maximum of 7%, any balance being transferred to their principal account.

Trust investment will be arranged in series of \$1,649,600,000 (the estimated two year investment program of the trust, based on a 10-year agrarian program.)

The certificate holders in each series will participate proportionately in distributing the assets of the series upon termination of the trust.

Adaptation of the Scheme to Other Latin American Countries

The scheme proposed here could well be adapted to all Latin American countries.

Expanded to this scope, it would undoubtedly need a source of loan funds at the international level. Thus, existing international financing agencies would need to alter their loan policies to include this type of loan, or a new inter-american financing agency would need to be created for this specific purpose.

Possible Variations in the Agrarian Reform-Industrialization Procedure

Several variations in the procedure outlined in this paper can be made to make it more acceptable. One of these variations might involve specifying that all trust certificates would bear a fixed rate of return on their face value. Implementation of this variation would require that the trust instrument allow invasion of the principal of the trust, which might be reimbursed by the Government of Peru.

Other possible variations concern time periods to be allowed in the trust instrument. For example, the period for payment of the land could be more or less than 20 years. Regardless of the time involved, the repayment schedule should be geared to the repayment capacity of efficient size farms operated by typical farmers. Of course, the end of the life of the trust will be a function of the repayment schedule of the small farmers.

The time allowed for the former land-owners to exercise their options to accept liquid assets in exchange for their trust certificates may be shorter or longer than one year. However, it should be as short as possible and yet allow sufficient time for investment planning.

Another possible variation involves the nature of the initial option to withdraw liquid assets, i.e., to terminate a trust interest. Since it is conceivable that all former landowners might elect this option, the trust may lack sufficient liquid

assets to invest in industry. In that event, the trust may be unable to diversify sufficiently between industry and agriculture. Consequently, a limitation on the proportion of each former landowner's certificates that can be exchanged for liquid assets may be desirable.

Since the former landowners will be allowed to retain some of their land, they may be able to exert a strong community influence on the new owner-operators--and, hence, on the repayment rates of the new landowners. In order to encourage the former landowners to exert a positive influence on the new owner-operators it may be desirable to make the order of termination of the trust certificates dependant upon the repayment rate of the new owner-operators on the land represented by each trust series.

Other Considerations

Several characteristics of this suggested procedure should be made explicit. These include 1) the exclusion of any attempt to deal with the public welfare aspects of the agrarian reform problem, 2) relationship to other tenure and transfer forms, and 3) the management needed to coordinate all activities specified in this proposal. Each will be discussed separately.

This proposal is designed to provide an orderly and efficient method of accomplishing agrarian reform and industrialization in Peru--it is not a remedy to the public welfare aspects of rural poverty. In this manner there will be established family size, owner-operated farms in addition to non-agricultural, efficient industries in Peru. In addition to this program, there will have to be public health programs, more educational facilities, food programs in some relief situations, etc., as well as supervised credit and technical assistance for the new owner-operator. Suffice it to say, this proposal is not a panacea for all of Peru's ills. It is merely designed to accomplish the stated objectives.

While this procedure will result in the establishment of owner-operated farms, it should be made clear that this is not the only applicable tenure form for Peru.

Neither should all land transfers be through an expropriation initiated procedure. Both voluntary land transfers and non-ownership tenure forms should be developed and encouraged when conditions warrant them.

The success of the procedure proposed in this paper will largely depend upon the level of management used to coordinate all of the activities involved. For example, organized colonization of the selva must be coordinated with the release of agricultural labor that lacks the necessary qualifications to become either owner-operators of existing agricultural land or employees in the new industries. Also, the coordination of IRAC, NPI, and NIIP activities with those of the A-1 Trust is a must. If any of the institutions upon which the Trust is dependent for services fail to perform satisfactorily, the Board of Trustees should be empowered to contract with other groups or develop its own staff to obtain the required services. It is assumed that the Trust will use advanced management techniques, e.g., critical path programming, to coordinate the program in advance and isolate "bottle-necks" which can be eliminated.

S U M M A R Y

In brief, the procedure proposed in this paper will facilitate agrarian reform and industrial development in Peru. Except for creation of the A-1 Trust, it will utilize existing Peruvian Institutions in channeling funds into industrial enterprises. The funds will be obtained primarily from national and international financing agencies in the form of loans for which the A-1 Trust will pledge collateral in the form of industrial property and agricultural land. Upon payment for the land by small land purchasers the loan to the Trust will be repaid, holders of trust certificates will receive industrial property interests for them, and the A-1 Trust will be terminated.

OFFICE MEMORANDUM

TO: Mr. John C. de Wilde

DATE: March 12, 1962

FROM: J. Burke Knapp

SUBJECT: Land Reform *JBK*

I have received from a personal friend of mine who desires to be (indeed insists on being) anonymous, the attached comment on the current fad of all-out support for land reform. Bill Iliff and I would like to get a group together to discuss this subject some time before the end of this week. Would you give me a call about it after you have had a chance to read it.

Att.

cc: Messrs. Aldewereld
Hoffman
Reid

Some Personal Comments on Land Reform

A number of countries in the underdeveloped world have been engaged with the problem of land reform during the past few years. Some of these governments have proclaimed to the world their intention of carrying out land reform by taking over the estates of large land owners and distributing these among peasants.

The mere announcement of such intention seems to create an immediate effect on public opinion in the West, particularly in the United States. The so-called progressive and reform-minded governments and their politicians receive wide publicity and sympathy which are, in my opinion, entirely undeserved. I would like to state the reasons why I am opposed to this approach to land reform, and why I believe it is basically nothing but cheap political salesmanship.

My opposition to land reform programs, as they are often conceived, is based on the following reasons.

1. Under a capitalistic system of free enterprise and private ownership it is not right and just that a person may own any number of factories, buildings and other properties while he is denied the right to own more than a certain amount of farm land.
2. The objection to large land ownership is basically due to absentee landlordism and because large ownership of land of this type deprives the economy from the benefits of an efficient system of agricultural production. It is possible to overcome the drawbacks of this system without resorting to sequestration.
3. As in industry and business, it is uneconomical to break up large agricultural holdings into small units. Production is bound to suffer, and I am convinced will suffer drastically, when units are reduced to 15 or 20 hectares.
4. We will be deluding ourselves if we think backward underdeveloped countries can create all the essential mechanism required to help the small farmer who has neither the money nor the know-how, such as, agricultural cooperatives that can supply him with mechanization, and the all-important agricultural credits.
5. The very real problem of inheritance is completely ignored. In two generations a 15 hectare farm given over to a farmer today may well be divided up into holdings of one hectare or less. I cannot envisage any developing country that can change its basic inheritance laws. This is certainly impossible and unthinkable in a country like mine where there are unalterable rules governing the division of an estate between male and female heirs.
6. The administrative and physical problems involved under a scheme which aims at seizing properties scattered over the country where the government machine is not capable of performing even its daily routine functions, and where many land-owners do not possess accurate information of their own holdings, are beyond the power of governments to cope with.
7. Contrary to the common belief that a land distribution program

*This is not
wholly
relevant.*

*Agree with
this in large
part*

*Economists of
scale in industry
and agriculture
are of necessity
the same*

Agree

*Agree problem of
inheritance is important.
This is not, however, a
justification of big estates.
It is a question of alternative
employment opportunities
for those who cannot
be supported on the land.*

*This is an argument
against going too far.*

builds up a contented farmer class which will serve as a bulwark against communism, I contend that this is absolutely and incontrovertably fallacious.

What this policy indubitably does is it creates false hopes among peasants who will soon be disillusioned with what may well be very grave consequences - indeed, it may hasten the very situation that it is intended to avoid.

8. Politicians advocating land reform programs know full well they are incapable of implementing them. It is the immediate benefits gained, particularly with the public in the West, by posing as reformers and champions of the rights of the down-trodden and poverty-stricken peasant that they seek.

They know they will not be there to answer for the consequences of their ill-conceived, short-sighted and deceptive program.

As I said before, while I am opposed to the solution of the existing system of land tenure and landlord-peasant relationship by means of forced dispossession, I am equally against the archaic system of land ownership. I wholeheartedly believe it is essential to find another solution, one which is economically, politically, socially and administratively practicable.

The scheme I propose is broadly the following:

1. Land reform should be brought about through a system of taxation.
2. Farm land should be taxed not on the basis of actual but on the optimum yield, i.e., what it would produce if the land were cultivated under modern and efficient farming methods.
3. To determine the optimum yield, I would propose a reliable survey be carried out throughout country by one or more groups of foreign firms specializing in cadastral surveys. This survey would determine what the yield of each hectare of farm should be in different parts of the country under an efficient method of farming. It would also remove all the defects and the shortcomings that are bound to arise if governments were to assess the yield values.
4. I would introduce a flat rate of taxation on the optimum yield.
5. It would not be right at the outset to apply a high rate of taxation. Those who are to exploit the land, whether they be large or medium land owners or small farmers, must have access to such facilities as adequate agricultural credits on reasonable terms and cooperatives that are in a position to give guidance and technical assistance.
6. To bring about these facilities requires time. I would therefore adopt, and make public, a system of taxation which would start at a small level and gradually go up until it reaches what would be an equitable rate at the end of a given period. To illustrate my point, let us suppose it was decided that a levy of 10% on the optimum yield was equitable, and it was also considered advisable to reach this

This is extreme land redistribution by its elf is undoubtedly not enough and may make the problem worse.

Agree there is far too much loose advocacy of land reform.

In principle I have much sympathy with this.

Not easy to apply in practice, because optimum yield is difficult to determine & depends not solely on the cultivator or landowner.

final goal over a period of, say, ten years. I would start with a tax of 1% the first year and increase the rate by 1% each year until 10% was reached at the end of ten years. This system offers a number of advantages. Firstly, it gives time to all concerned, present and prospective land-owners, to equip themselves so as to exploit their land to the fullest degree. Secondly, it makes it possible for governments to create the institutions and mechanisms required to help the landlord - farmer. Thirdly, it provides the present landlords with a reasonable time within which to decide whether they will hold on to their properties and meet the increasing taxation, to reduce their holdings to a size which they can efficiently exploit or to dispose of their properties, at will, to those who are about to farm the land and meet the new taxation.

7. The foregoing figures relating to taxation and timing are solely given as an illustration. Before a definitive decision is taken on these matters, I would have all these aspects studied by experts.
8. A moderate rate of taxation could be applied on the basis of a reasonable yield during the period the above study is being carried out. In the case of many countries, where the total taxes on agricultural land is less than the amount the government spends on collecting these taxes, there would certainly be no loss to the treasury during the transitional period.
9. Whereas under a land sequestration and distribution program there will inevitably follow a serious fall in agricultural production, under my proposal productivity and efficiency in agriculture will go up. The change will take place in a gradual manner over a period of years and without violating the principles of free enterprise and private ownership.

*Flat rate of
taxation without
proportion OK only
if agricultural
income not taxed
under general
income tax
laws.*

*Not inevitably,
depends on type of
farming on land
prior to redistribution*

OUTGOING WIRE

CLASS OF SERVICE: NLT

MRT

DATE: MARCH 8, 1962

TO: JOHN PIERSON
C/O S.K. DEY
FOODAGRI
ROME

COUNTRY (ITALY)

TEXT:

Cable No.

SUMMARY BANK/IDA ACTIVITIES LAND REFORM PROGRAMS ATTACHED YOUR LETTER
MARCH 6[✓] SATISFACTORY

IVERSON

Signed: _____
(Type in last name of sender)

AUTHORIZED BY:

NAME: Kenneth R. Iverson

DEPT: Development Services Department

KRI:mc SIGNATURE: *[Signature]*
(Signature of individual authorized to approve cable).

For Use by Archives Division

Checked for Dispatch *[Signature]*

ORIGINAL (File Copy)

(IMPORTANT: See over for guide in preparing Outgoing Wire)

GUIDE FOR PREPARING OUTGOING WIRES

1. Class of Service

Type in class of service desired. Each class is described as follows:

Letter Telegram Letter telegrams are normally delivered the morning after day of despatch. The cost is half the cost of full rate messages with a minimum charge for 22 words including address and text.

Full Rate Full rate messages are normally transmitted and delivered immediately. There is a minimum charge for 5 words, including address and text.

IBF Govt. This is a preferential rate extended to the Bank by some of its member countries. Messages are sent at full rate speed and at about half the cost. This rate normally should be used whenever available. It is at present available for the following countries:

Bolivia	Cuba	Guatemala	* Peru
Brazil	Dominican Republic	Honduras	* Syria
Burma	Ecuador	Jordan	Uruguay
Chile	El Salvador	* Lebanon	Venezuela
* China	* Ethiopia	Nicaragua	Yugoslavia
Colombia	* France	Pakistan	
Costa Rica	Greece	Panama	

* In these countries the letter telegram rate is lower than IBF government rate and should be used for messages when immediate transmission is not required.

Code Code messages are transmitted at full rate (or IBF Govt.) speed and cost. This rate should be used only for confidential messages to staff members having a code with them.

Day Letter Day letters are delivered during the day of transmission and should be used only for messages in the United States and to Mexico and Canada. There is a minimum charge for 50 words in text.

Teletype To be used only for messages to the New York Office, United Nations, and certain commercial firms. For information, call Cable Post (Ext. 3008).

2. Address

Use only last name of addressee and cable address whenever possible. The Bank cable address "INTBAFRAD" is registered in Paris, Bogota, Bangkok, Karachi, Lima, Quito and Tegucigalpa. The International Finance Corporation cable address "CORINTFIN" is registered in New York, Paris and Washington. The name of the country of destination must always be added. (No charge is made for the name of a country).

3. Text

Messages to Bank Missions and to Resident Representatives should be numbered. These numbers may be obtained by calling Ext. 3008.

Type text in capital letters and double space between lines. The text should be edited to eliminate unnecessary words and unnecessary punctuation. If punctuation is needed, spell out the words "Comma," "Stop," etc.

Use common abbreviations whenever possible, i.e. reourlet, reurfive, etc. Write as one word hyphenated words, hyphenated names, and certain two-word groups, e.g. Airmail, Newyork, enduse.

4. Signature

Type in last name of sender. Use INTBAFRAD as part of the signature only when addressee does not know the address of the sender.

5. Authorization

Type in name and department of staff member authorizing message and have authorizing staff member sign the original (pink copy). A list of authorized signatures is kept in the cable office.

Forward messages in triplicate in a cable envelope to Room 211 for despatch. The cable service is open from 9:00 a.m. to 5:45 p.m. on working days. Special arrangements should be made for the despatch of cables outside of these hours.

ANY QUESTIONS REGARDING INCOMING AND OUTGOING WIRES SHOULD BE REFERRED TO THE CABLE POST, EXT. 3008.

MAR 8 5 56 PM 1962

COMMUNICATIONS

DISTRIBUTION

UNITED NATIONS



NATIONS UNIES

NEW YORK

CABLE ADDRESS • UNATIONS NEWYORK • ADRESSE TELEGRAPHIQUE

FILE NO.:

EC 342 (7)

6 March 1962

Dear Mr. Iverson,

.....
As promised by phone, I send you enclosed our draft statement on "United Nations Support to Members' Land Reform Programmes", which is to constitute one section of Chapter 1 of the 1962 land reform report. Your cabled advice indicating the Bank's concurrence or any drafting changes required in the paragraphs of special interest to the Bank would be much appreciated. You can reach me at FAO, Rome, in care of S.K. Dey.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "John H.G. Pierson".

John H.G. Pierson
Special Consultant, Department
of Economic and Social Affairs

Mr. Kenneth R. Iverson
Assistant Director
Technical Assistance and Planning Staff
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, 25, D.C.

ack. mar. 8, 1962

DRAFT

prepared in the United Nations
6 March 1962

Chapter 1 (d). United Nations Support to Members Land Reform Programmes^{1/}

Support to the land reform programmes put into operation by the Governments of Member States is being provided by a number of agencies in the United Nations family.^{2/} FAO takes the leading part in this work. As Governments have increased their programmes of action in this field and have sought international assistance, the agencies' supporting activities have likewise grown. Some further improvements of such support envisaged by the agencies are indicated, in compliance with General Assembly resolution 1426 (XIV), at the end of this section.

Current support programmes

FAO has major responsibility for assistance work in land (or agrarian) reform and has taken the initiative in co-ordinating international efforts in this field, convening eight inter-agency meetings for that purpose to date. As early as 1943 the Hot Springs meeting strongly emphasized the part that the agency was expected to play in seeking improvement of the institutional framework within which agriculture is practised, with increased productivity and betterment of the cultivator's social status as dual objectives. The resulting programme has come to cover such varied problems as fragmentation of holdings, the structural aspects of farms of uneconomic size, farm and settlement layouts, insecurity of tenure, maldistribution of property, excessive rents, inequitable incidence of agricultural taxation, excessive indebtedness, lack of clear

^{1/} The programmes of the agencies concerned are described in greater detail in Annex C.

^{2/} Other international bodies - as well as bilateral aid programmes - have also provided assistance in this field in recent years. In Latin America, the Organization of American States and especially the recently launched Alliance for Progress Programme have focussed their attention on problems of the agrarian structure, and financial help is anticipated from the Inter-American Bank. In Asia and Africa, the World Veterans' Federation has been co-operating with United Nations agencies in the field of land settlement.

titles to land and water and the adjustment of indigenous tenures to the requirements of agricultural development, together with problems in allied institutional fields such as credit, co-operatives, marketing, extension, land and water development and community development, not to speak of technical agricultural problems.

FAO land reform activities are carried on at the regional level, at the country level, and by means of central collection, analysis and publication of information. At the regional level, a major feature has been the programme of ad hoc Land Problem Training Centres, six of which had been organized by the end of 1961, in Latin America, the Near East, Asia and the Far East, and Africa South of the Sahara. Special study groups and working parties have been convened in the field of land tenure and settlement (e.g., the Working Party on Consolidation of Holdings under the FAO European Commission on Agriculture). FAO teams have investigated land tenure conditions in a group of countries (e.g., the 1959 Advisory Team on Land Reform for Latin America). Within the framework of regional surveys carried out during the last five years, especially the Mediterranean Development Project and the African Survey, particular attention has been paid to land tenure problems. FAO has collaborated with other agencies in several projects including the Latin American Land Tenure and Agricultural Labour study and the Andean Indian Programme. Groundwork has been laid for establishing permanent regional research and training institutes concerned with agrarian structure, beginning in the near future with South-East Asia and Latin America. Land reform officers are being posted at centres in the various regions, beginning with Latin America in 1961 and Asia and the Far East in 1962.

Work at the country level has been growing in volume especially since 1959. In that year FAO had 8 projects in land reform; in 1961 the number rose to 27, the great majority being for individual countries. During the five-year period 1956-1961, 22 countries received this technical assistance and advice. In Latin America (with eleven countries aided) most of the assistance to date has been in the field of colonization but some has dealt with the formulation, implementation or evaluation of land reform programmes in general. In other regions, FAO has variously assisted individual Governments in appraisal of agrarian situations, land settlement planning and execution, adjustment of traditional tenure arrangements to the needs of economic development, planning and implementation of agrarian

reform programmes and evaluation of such programmes. Under the related fellowship programme, fellowship holders are generally encouraged to visit countries with advanced programmes in land tenure reform.

FAO has been active in collecting information, analysing it and making it available to Member Countries. Apart from other sources of information on land reform, area-wide special surveys are sometimes undertaken to study the progress being made. From the beginning, FAO has also carried out a comprehensive publication programme in this field, consisting of the Land Tenure Studies (dating from 1952), mimeographed reports on meetings dealing with land problems and policies, and reports of technical assistance experts on their missions. Publications in related fields such as agricultural credit, co-operatives, extension and sociology supplement this programme. Additional material on land tenure problems is presented in the annual State of Food and Agriculture (in which the chapter "Land Reform and Institutional Change" in the 1961 issue is of special interest) and the quarterly Food and Agricultural Legislation.

The activities of the United Nations itself in relation to land reform are concerned with: land reform as an element in overall development planning; certain specific aspects, e.g., the taxation aspect, which comes under the general responsibility of the United Nations in the fiscal and financial field; community development, whose links with land reform are described in this report; and certain other fields separate from land reform but calling for concurrent action as regards rural development - notably local government, rural economic infrastructure, rural industry, rural housing and rural social services. It is in the latter fields, along with community development and with development planning as a whole (including the fiscal aspects), rather than with the content of land reform programmes, that the major relevant responsibilities of the United Nations lie.

The responsibility for assisting in economic and social development planning as a whole implies consideration of all major problem areas, land reform included, from the standpoint of their place in a comprehensive frame of reference. The regional economic commissions in particular have devoted attention to the overall planning implications of agricultural-industrial and rural-urban balance and key agrarian reforms. The economic

development and planning institutes which, in accordance with General Assembly resolution 1708 (XVI), are being established closely linked with the regional economic commissions will give these relationships due emphasis in their training, research and advisory work.

The United Nations plays the leading part in the collaborative assistance work of the agencies in community development, a field in which, as Chapter 6 of this report points out, much can be done to support and even help bring about necessary land reforms. It has issued a number of publications on community development, including recent studies of economic development and public administration aspects. Meetings are continually being held in this field by the regional economic commissions. Training courses have been initiated, particularly in Africa. Member Governments of more than twenty-five countries in Africa, Asia, Europe, Latin America and the Middle East are being assisted and advised by community development experts supplied by the United Nations, and fellowships are being provided to some fifteen Governments.

The work shared directly with FAO in the joint UN/FAO divisions of the four regional economic commissions of the United Nations calls for separate mention. Projects in agricultural economics (i.e., agricultural production, development, programming, price and market prospects, price policies, etc.) and projects concerned with agricultural institutions are both undertaken. For example, the current work programme of the joint ECLA/FAO Division is linked almost entirely to the activities of the Inter-American Committee for Agricultural Development created during the Punta del Este Conference, which will seek solutions for the more urgent problems, including problems in the field of land reform, retarding the growth of the agricultural sector.

The ILO is concerned to establish principles for ensuring security of employment and of livelihood, with rising incomes, for all those engaged in agriculture. The problems have been considered in broad terms at the 44th session of the International Labour Conference, the Meeting of Experts on Employment Objectives in Economic Development and the 6th session of the Permanent Agriculture Committee, all in 1960, as well as the Conference of American States Members of the ILO held in Buenos Aires

in 1961. Publications on the subject include Why Labour Leaves the Land (1960), chapters dealing with land tenure and related matters in African Labour Survey (1958) and the Labour Survey of North Africa (1960), and articles in various issues of the International Labour Review.

The ILO helps Governments to provide the training which is needed by agricultural workers - wage-earning, semi-independent or independent - if land reform is to succeed. Considerable emphasis has been laid on the training of rural promoters and similar personnel to work directly with the farm population; this is being done, for example, under the inter-agency Andean Indian Programme operating under ILO's leadership in Bolivia, Ecuador, Peru and Colombia. The ILO is active also in vocational training, in which it organizes projects on a country, regional and international basis. A related field of activity, concerned with expanding employment opportunity and raising production in rural areas, is that of small-scale and handicraft industries. Here again many Governments are being provided with technical assistance, and a number of technical meetings have been held in various regions, some in conjunction with FAO.

Special groups to whom attention is given by ILO include plantation workers and nomadic tribes. The 1961 session of the Committee on Work on Plantations, for example, discussed social security and co-operatives for plantation workers. A Panel of External Consultants on Indigenous and Tribal Populations will shortly consider the results of previous surveys on the sedentarisation of nomadic and semi-nomadic tribes of North Africa and other areas and the problems arising out of the transition from tribal to modern forms of economic and social organization in Africa.

The ILO has long been active in the field of co-operatives, which are integrally connected with successful land reform. Many reports have been issued in this field. Technical assistance on education and training in co-operation, co-operative organization, co-operative credit, industrial co-operatives, the organization of marketing services and other aspects has been provided by ILO experts to some twenty-five countries in Africa, Asia, Latin America and the Middle East. A number of technical meetings have been convened in collaboration with FAO and other agencies, including the inter-regional seminars on co-operation organized jointly with FAO each year since 1953, in collaboration with the Danish Government. A panel

of consultants on co-operation, approved by action of ILO's Governing Body, will hold its first meeting in 1962.

UNESCO's role in land reform is primarily educative and is closely linked with programmes of rural and community development. It has devoted substantial efforts towards promoting competence in those field through its emphasis on fundamental education, agricultural education and sciences, and its attention to the means of mass communication. Evaluation also is emphasized. For example, at the two regional centres for training for community development (ASFEC and CRLFAL), which are organized in collaboration with the United Nations, FAO, the ILO and WHO, UNESCO has undertaken to test evaluation methods used in rural development projects which could be useful as well in evaluating the implications of land reforms.

The International Bank for Reconstruction and Development has made loans for varied agricultural purposes to nearly thirty countries and territories, not counting its indirect support of agriculture through loans for fertilizer and food processing plants and, on a larger scale, for electric power and transportation. It also provides advisory services to agricultural banks and other government agencies engaged in promoting agricultural development. The new International Development Association is beginning to complement the Bank's financing by extending development credits on very liberal terms.

The Bank and IDA manifest their interest in land reform in two principal ways. First, recommendations to Governments for the adoption of remedial measures affecting the agrarian structure are a frequent result of the economic studies or surveys conducted by missions organized by the Bank. Second, where the existence of faulty institutional arrangements would hamper successful execution of a particular project, appropriate adjustments are often made a prior condition of a loan.

These adjustments sometimes involve improvement in various supporting services to agriculture (notably credit, marketing and technical guidance) which may play a large part in the likely economic consequences of an undertaking. On other occasions the Bank has assisted in, for example: obtaining secure tenures in place of periodic reallocations of land;

developing a colonization scheme for landless farmers; instituting a land consolidation programme, or setting minimum limits to land fragmentation; drafting progressive land reform legislation to eliminate built-in disincentives found likely to prevent the carrying out of agricultural development projects.

More than one-third of the total funds allocated by the Special Fund to date has been assigned in support of 65 projects for pre-investment work in the agricultural sector. While no single project concerns itself exclusively with problems of land reform, the subject matter of a number of approved projects, particularly those in the pre-colonization field (e.g., in Ecuador and Venezuela), involves consideration of questions intimately related to the problems of agrarian structure. All of these projects, moreover, aim to contribute to increased agricultural productivity and output together with an improved level of living for the rural population, so that their implementation should help pave the way both for technical agricultural improvements and for agrarian institutional reforms in the countries concerned.

Improvements in support envisaged

Apart from some expansion in various existing support functions in the land reform field which is foreseen as a matter of normal steady growth, some increased outposting of specialist staff in this field to regional offices, and an effort in particular to devote larger resources to the needs of Africa, the following improvements in support are at present envisaged:

1. FAO expects to strengthen its fact-gathering and fact-organizing services in the field of land reform, so as to establish a more complete repository of information and a readily usable clearing house of experience and ideas in this field.

2. To help overcome the shortage of adequately trained personnel for planning, executing and evaluating land reform measures, FAO proposes to assist with the establishment of two regional Agrarian Research and Training Institutes in Latin America and the Far East, to be followed perhaps by one in the Near East.

3. The Special Fund is ready to assist Governments in the establishment of research and training institutes concerned with the planning, organization and administration of agrarian reform programmes.

4. The United Nations expects to strengthen its analytical and advisory work on the fiscal and financial problems of land reform and of agricultural development generally. Country studies will be made of tax, financial and budgetary factors impeding or expediting the reforms sought by Governments.

5. FAO and UNESCO envisage more systematic work in future on evaluation of land reform programmes, looking toward the eventual incorporation of evaluation as an integral part of any country's programme in this field.

6. The ILO in 1960 launched a programme of intensified activities in the rural sector. As one aspect, it proposes to study more comprehensively the impact of land reform on employment, especially by means of investigations in selected countries of Asia and the Middle East. Pilot projects will also test various methods of promoting fuller utilization of labour in rural areas.

7. The ILO expects to undertake, in selected countries of Africa, intensive investigations of the problems of transition from tribal structure to more modern forms of economic and social organization including land tenure.

8. UNESCO plans to intensify its work in rural sociology, with particular reference to the transition problems of tribal and nomadic groups.

9. The establishment of economic development and planning institutes by the United Nations in connexion with the regional economic commissions in Africa, Asia and Latin America should substantially increase the opportunity for studying land reform measures in the total development context - as means to achieving nationally formulated objectives and as users, sometimes on a substantial scale, of resources for which there are many competing demands.

10. The transfer of food surpluses to help countries avoid a possible reduction in food availabilities during an immediate period of land tenure reform is one of the developmental uses of food envisaged under the UN/FAO World Food Programme.

March 2, 1962

Mr. B. R. Sen
Director-General
Food and Agriculture Organization
of the United Nations
Viale delle Terme di Caracalla
Rome, Italy

Dear Mr. Sen:

On behalf of Mr. Black who is at present absent from Washington, I wish to acknowledge receipt of and thank you for your letter of 6 February 1962, inviting the Bank to be represented at the Eighth Inter-Agency Meeting on Agrarian Reform to be held at FAO Headquarters beginning 8 March 1962, to finalize the report on Land Reform which will be presented to the Thirty-Fourth Session of ECOSOC.

We are sorry that at the last minute it will not be possible for the Bank to have a representative at this meeting. However, we have been in correspondence with members of FAO's staff regarding the Bank's views on the various aspects of this problem. We hope our contribution is of some value to the report.

Sincerely yours,

Enrique Lopez-Herrarte
Liaison Officer
Development Services Department

ELH:ml

February 27, 1962

Mr. D. Christodoulou
Land Tenure and Settlement Branch
Rural Institutions and Services Division
Food and Agriculture Organization
Viale delle Terme di Caracalla
Rome, Italy

Dear Mr. Christodoulou:

I have your letter of February 1 to which you attached the latest draft of the section dealing with the United Nations Aid in Land Reform. In your letter you ask us to identify the countries in which are located the projects being financed by the Bank and which are mentioned in our statement. At the time we drafted the material submitted to the United Nations we purposely did not make reference to the countries by name because we felt that such reference would not serve a useful purpose, but more importantly we felt that we should not risk embarrassing a member country or borrower by publicizing certain phases of our negotiations relative to the loan which we consider to be of a confidential nature. We would prefer therefore not to identify the countries.

I would like to refer to one statement which is included in the latest draft attached to your letter on page 2 in the section dealing with the Bank and IDA. The statement is made that "Land reform, therefore, stands a better chance of receiving credits from the IDA than would have done from the Bank." While the IDA charter allows for considerable flexibility in setting the terms for loans, the statement made does not necessarily follow from this flexibility. As your statement spells out, the Bank has made substantial investments in agrarian development, and while IDA is and can make investments in this same field the statement is not correct and should be deleted.

Sincerely yours,

Kenneth R. Iverson
Assistant Director

KRI:mo

cc: Mr. Reid

Development Services Department

Central files w/incoming letter and attachments.

UNITED NATIONS



NATIONS UNIES

NEW YORK

CABLE ADDRESS • UNATIONS NEWYORK • ADRESSE TELEGRAPHIQUE

FILE NO.:

EC 342 (7)

20 February 1962

Dear Mr. Demuth,

..... I enclose for your information and any comments a copy of our redraft of the financing chapter of the land reform report.

..... Also enclosed is a copy of Miss Henderson's letter of today's date addressed to Mr. Kimmel of FAO. In connexion with paragraph 5 of that letter, it would be particularly appreciated if you could, in order to clarify the situation, let us have at your earliest convenience the text of the statement on the Bank's activities which is preferred for use in full in the appendix of the report. Our summarization of it in Chapter 1 will, of course, be cleared with you later.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "John H.G. Pierson".

John H.G. Pierson
Special Consultant, Department
of Economic and Social Affairs

Mr. Richard Demuth
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.

11

JHGP/bh

VIA AIR MAIL

EC 342 (7)

20 February 1962

Dear Don,

This will acknowledge Mr. Christodoulou's letter of 8 February enclosing two sets of material for Chapter 1 of the land reform report; also your own letter of 26 January and cable No. 55 of 31 January, in which there were no matters requiring immediate reply.

Under separate cover I am sending you our redraft of the chapter on Financing Land Reform (Chapter 5 under the new numbering system; community development thus becomes Chapter 6). The middle section of this chapter, on "The Needs of the New Cultivator for Production Capital", is a revision of FAO's draft, as per your suggestion.

We are now proceeding to the writing of the following parts of Chapter 1: subsections summarising Chapters 5 and 6 (the latter can best be done here, I think, taking into account such modifications in that chapter as result from FAO's earlier suggestions or its; the section on land reform and economic development; and our contribution to the section on present and proposed agency assistance. Each of these will be sent to you as soon as completed.

We shall also proceed to edit, with an eye to uniformity to style and approach, those parts of Chapter 1 which we have just received from you. I notice that those sections, although constituting only roughly one-half of the chapter, already exceed 40 pages in length in the FAO draft. This is more than we care to budget for the entire chapter, since much of it is only a summation of what is spelled out later and since the objective is to gain for the main points in the report the attention of readers who may lack time for a thorough perusal. It follows that considerable abridgement is going to be essential. One consequence, I believe, will be to show the necessity for an appendix, as mentioned in my earlier letters, to contain the full statements the agencies will wish to make.

Mr. Don Kimmel
Rural Institutions and Services Division
Food and Agriculture Organisation
of the United Nations
Viale delle Terme di Caracalla
Rome
Italy

In that connection, I am not entirely clear as to the status of some of the agency statements which have been forwarded as part of FAO's material for Chapter I. Mr. Christodoulou's letter indicates that they are preliminary. We have received direct from the ILO and the Bank, for example, statements which differ from the corresponding statements supplied by FAO. As I am sending copies of this letter to the several agencies concerned, for their general information in regard to the progress of the work, this matter can be easily clarified.

It appears to be not too early to begin to consider the arrangements for final editing, translation and duplication after the Rome drafting session. On the whole I think it best, given the terms of our present mandate, that the report should be processed and circulated from here. However, we do not mean to claim editorial privileges where substantive matters of importance to other agencies might be involved. It occurs to me that a practical solution, in case it happens that the drafting session is unable to complete the editing job in detail, may be for John Pierson to remain in Rome for a few days or even a week after the meeting for the purpose of working out the exact text with your representative, as well as a representative from ILO if they so wish.

Your reaction to this suggestion would be much appreciated.

With kind regards,

Yours sincerely,

Julia Henderson
Director
Bureau of Social Affairs

CC: Mr. Orr
Mr. Grigg

Drafted: J.H.O. Pierson

DRAFT
prepared in the United Nations
16 February 1962

1962 report on land reform:

CHAPTER 5. FINANCING LAND REFORM

A. Tax Policies in Relation to Land Reform

Many aspects of the interaction between land reform and government finance are covered elsewhere in this report, particularly in succeeding sections of this chapter, which consider the needs of the new cultivator for production capital and the ways in which the payments for land affect former owners, new owners and the government. This section will consider the specific problems of tax policy in countries with programmes of land reform. Selected experiences with agricultural taxation in various parts of the world will be examined for suggestions as to suitable policies in different country settings.

Taxation is among the more important policy tools available to governments, although the choice of the most appropriate tax policies to promote various development goals for agriculture raises complex analytical and administrative issues. Indeed, even the economically advanced countries have not always found satisfactory solutions for the design and administration of an effective tax system in their farm sectors. The most tangible result of improved methods of agricultural taxation has usually been the additional revenue yield, but other significant benefits have also been obtained, such as the encouragement of more efficient land use, the elimination of tax deterrents to agricultural production, and more equitable treatment of taxpayers.

Generally speaking, the underdeveloped countries have been making only slow progress in adapting their agricultural tax systems to the changing needs and opportunities created by agrarian reform measures. It is significant, for example, that many replies to the land reform

questionnaire, although complete in most other respects, omit responses to the questions relating to tax policies. Unquestionably, some countries' agricultural development programmes are being unduly hampered by their continued reliance upon inadequate methods of taxation. On the other hand, there are also a number of examples, described below, of successful applications of carefully planned tax measures to promote important development objectives. These instances of accomplishment deserve careful study because of the lessons they may hold for other countries with similar needs and conditions.

It is obvious that the effects of tax policies are generally less clearly traceable than the effects of direct measures to redistribute land holdings, to consolidate plots that are too small for economical operation, to improve methods of cultivation or livestock raising, or to promote agriculture's development in other ways. Nevertheless, tax policies have a definite place in the scheme of furthering such measures. In the first place, most countries have found that larger tax receipts, with substantial contributions by the agricultural sector, are necessary to finance their land reforms. Secondly, there is considerable evidence that the existing tax structure, by overburdening some segments of the population or by blunting or perverting economic incentives, has often obstructed the operation of direct reform measures or of a country's overall development effort. Finally, valuable experience has been accumulated to prove that taxes are versatile policy instruments which lend themselves to various regulatory and incentive applications in furtherance of specific production or distribution goals.

Furthermore, experience in some countries has shown that land reforms, in turn, have prepared the way for a major strengthening of their revenue systems in the agricultural sector. Not only has agricultural development expanded the revenue base in these countries, but the instruments of reform, particularly when they have involved cadastral surveys, a clearer definition of tenure rights, or a redirection of production toward outside markets, have facilitated the introduction of better methods of tax assessment and collection. In short, these countries' land reforms have served to lower some traditional obstacles to more effective taxation in their agricultural sectors. Too often, however, the fiscal impact of the lowering of these obstacles has been less than might have been

expected, because the countries failed to adjust their tax structures to take full advantage of the more favourable circumstances for tax collection.

The relationship of tax systems to agricultural development^{1/}

In many countries agricultural land, even when it is capable of producing substantial income, is subject to very light taxation. Throughout much of Latin America the property tax rates applicable to agricultural land are very low and the assessment and enforcement practices exceedingly lax. In one country, for example, the tax on uncultivated land is \$1.00 per year per hectare on individual holdings in excess of 500 hectares. In many cases even these low taxes are not collected.

If a country's economic advancement is being handicapped by high concentrations of land ownership, large holdings of idle land, or generally inefficient land use, heavier direct taxation of land may contribute quite effectively to forcing the necessary reforms. It is conceivable that a progressive tax on land ownership, such as has been favoured in Jamaica since the early nineteen-fifties, could, if the rates are substantial, obviate the need in some countries for outright redistribution of large holdings. If the proceeds of increased taxation are set aside for planned agricultural development projects, even those landlords who, because of heavier taxation, are induced to sell portions of their holdings may not suffer economic losses.

In India the land revenue was once the mainstay of the revenue system, but today it absorbs only about 1-1/2 per cent of the net value added in agriculture. Furthermore, agriculture is only lightly burdened by income taxation in India, while the relative incidence of sales taxes and import duties in the rural sector is one-third to one-half as high as in the urban sector. After making a detailed analysis of the tax burden, the Indian Taxation Enquiry Commission concluded in 1954 that there was substantial room for increased taxation of higher rural incomes.^{2/} In recent years

-
- ^{1/} A useful survey of this subject is presented in the Papers and Proceedings of the Conference on Agricultural Taxation and Economic Development, held under the auspices of the Harvard Law School International Program in Taxation, with the participation of the United Nations and several of the specialized agencies (Cambridge, Massachusetts, USA, 1954).
- ^{2/} See Report of the Taxation Enquiry Commission, 1953-1954, Government of India, Vol. I, Chapter IV - V.

several Indian States have started collecting surcharges on large landowners and a few have stepped up the progressive rates of their agricultural income taxes. Nevertheless, the total tax burden on agriculture in India still appears to be inordinately light in relation to the importance of the agricultural sector and the country's need to mobilize its internal resources for economic development.

On the other hand, in certain less developed countries, including the Republic of China, Peoples Republic of China, and Republic of Korea, direct taxes on the ownership or use of land are large producers of revenue. Furthermore, governments gradually are giving more attention to the need to redesign their agricultural taxes and to make a stronger effort to improve their collection, so that the taxes can contribute more decisively to agricultural development goals. For instance, more countries are undertaking scientific land valuations, often with the aid of experts supplied by the United Nations, as in the case of Ghana and Jamaica. In the latter case, unimproved land value was substituted for capital value as the basis of land taxation and a general revaluation of land values is underway. The assessment officers in Jamaica have the advantage of new detailed maps based on an aerial survey.

In both Taiwan and the Republic of Korea the land taxes, which yield outstandingly large revenues, are imposed at graduated rates according to the rated production of the land. Even though the tax on agricultural land in Italy is proportional to income and is not an important tax source, it tends to exert a favourable incentive effect because it is based not on realized income but on that which the land is capable of yielding according to its cropping pattern and productivity assessed by the cadastre. Together with the income tax, it contributed to making the land market more active, according to the case study undertaken in this country, and many absentee landowners have been induced to sell their holdings. In many sections of India and Pakistan the land revenue has been assessed partly with economic incentives in view - for example, to discourage the unproductive use of land - although since the World War II inflation it has been assessed in the average on such a low valuation that its incentive effect has probably become inconsequential.

In Northern Nigeria, where local communities pay lump-sum tax assessments, based not on actual income but on the yield which would result if land were

cultivated at an adequate average standard, there is an explicit intention to penalize bad farming and encourage good.^{3/} But as happened with the Indian land revenue, the yield of this Nigerian tax was seriously damaged by the war inflation. An ingenious extension of the Nigerian plan is found in Uganda, where the tax assessment is based on potential income (assuming fairly generous standard rates of return) from all sources, including non-agricultural sources, available to each community.^{4/}

A principle underlying many of the taxes described above is that presumptive assessments according to the land's potential economic income, instead of its actual value in its present use, tend to create desirable incentive effects. Landowners deriving less than the full potential are penalized by the tax, while those exceeding the rated income are not taxed on the excess. Moreover, the cost of keeping cultivable land idle can be made prohibitive under this approach, while absentee landlords who take little interest in how their lands are farmed can be given a strong incentive to introduce more efficient production methods or else sell to others who would use the lands to better advantage.

Land taxes cannot serve such goals effectively, however, unless they are supported by satisfactory land maps and at least a rudimentary system of land classification. Many of the Asian countries have a long history of experience with land classification, but in other parts of the world extensive land areas, including cultivable land of large potential value, remain unmapped. In this connexion it may be noted that Chile, with United States aid, recently began an extensive land survey employing aerial photographic mapping. The survey is a multipurpose project which will serve not only to reveal unregistered land holdings but also to provide basic information on land use, water resources and soil characteristics.

The classification of land for tax purposes according to its productive capacity is a familiar practice in parts of India, particularly in Bombay, and in Germany and Finland. Scientific soil mapping is most important, of course, for the correct valuation of crop land, but it can also show whether pastures, timberland, orchards, and brushland are suitable for

3/ See Ursula K. Hicks, Development from Below, Oxford University Press (1961), pp. 330-331.

4/ Ibid., p. 340.

particular crops.^{5/} Although soil mapping, if done properly according to the latest scientific principles, will ordinarily be valid for many years, occasional updating may be required, especially if there are land improvement programmes or basic shifts in land use.

A further desirable step, after information on soil classification has been assembled, is to determine the inherent productive capacity of each field in its most efficient use, under average growing conditions and proper management. The topography of the land, climatic conditions, and accessibility to water supplies are other factors which the tax assessors should take into account.

The method of using yardstick farms to gauge the potential productivity of land has been followed with considerable success in Northern and Central Europe. More recently, Indonesia has sponsored the cultivation of standard land parcels under state supervision, with the aim of gaining information for tax valuation purposes. The pilot or experimental farms operated by the governments of many countries could in many cases also contribute to strengthening tax assessment procedures.

Finally, land tax assessments can be improved if they include appropriate allowances for other indicia of economic value, such as accessibility to markets and availability of storage and milling facilities.

In view of the far-reaching differences among countries, as to agricultural conditions and also as to the administrative burdens they are equipped to carry, no single approach to land taxation can be recommended for general use. The basic requirement, of course, is for countries to set their sights on realistic and appropriate targets and to move as rapidly as possible toward those targets.

Because of its simplicity, gross output is widely used as a valuation basis in many parts of Asia and in the Middle East. To bring this type of assessment more closely in line with the principle of rating according to presumptive or potential income, the tax might be assessed on variable fractions of gross produce, dependent upon inherent productivity differences and locational factors. The method of land tax assessment in the Sudan embodies some of these features. The tax rate is related to the gross productive capacity of the land and varies according to type of farming and systems of rotation. A more simplified approach, applied in West

^{5/} See Land Classification for Agricultural Development, Development Paper No. 18, Food and Agriculture Organization of the United Nations (November 1952). [FAO may prefer a later citation.]

Jordan and some African countries with comparatively homogeneous agricultural regions, is to assess the tax according to land area but to graduate the tax rate on the basis of broad differences in land value. In order not to impede the cultivation of inferior soils, taxes assessed on the basis of gross produce or land area should be designed to fall lightly, if at all, on plots which provide a mere subsistence income.

In Latin America wide use is made of property taxes based on capital value as evidenced by the prevailing selling price of land. The administration of these taxes, however, has often been handicapped not only by the lack of satisfactory land surveys - as in the case of Paraguay, Haiti, and Nicaragua - but also by an absence of adequate market activity and, in a few instances, by reliance upon self-assessments by property owners. Even where an effort has been made to strengthen valuation procedures, it has frequently been concentrated in the urban areas where the value of real estate is heavily concentrated, with detrimental results to the tax yield and production from the agricultural sectors of these countries.

A recent trend in the agricultural tax systems of underdeveloped countries is toward the extension of their net income taxes to the farm sector. Agricultural income is being taxed either under a separate schedule, as in parts of India and Pakistan (where the taxation of agricultural income is constitutionally under state and provincial jurisdiction), or under a global tax applicable to all incomes, as in Ceylon, Indonesia, the Philippines, and Thailand. A constructive recommendation of the Indian Taxation Enquiry Commission was for the states to be permitted to add a surcharge to their agricultural income taxes; the amount of the surcharge would be determined with reference to the total income of the taxpayer from agricultural and non-agricultural sources. In Chile taxpayers who cultivate large farms are required to keep reliable accounting records and to declare their actual income on the basis of those records, but no studies have been made of the effectiveness of that requirement in improving income tax collections.

Income taxes, particularly at graduated rates and with allowances for the taxpayers' family status and financial obligations, are well suited to the requirements of some developing agricultural economies where the circumstances for assessing and collecting the taxes are favourable, as

in plantation economies. A land tax, if used at all in such countries, should be - and often is - a subordinate levy set aside for local governments. The structure of the income tax, however, as far as it applies to agriculture, especially with regard to the progressivity of its rates and the allowance of appropriate deductions from taxable income, should be determined in the light of the need to preserve adequate savings and investment incentives.

In those countries which do not extend their income taxes to the agricultural sector, but instead rely on land taxes that are imposed at flat rates, without any realistic differentiation according to the productive value of the land, the land taxes may constitute an excessively heavy burden on farmers with small landholdings, while large landowners are relatively lightly taxed. The absence of an income tax on landlords in these countries could impose a serious obstacle to agricultural development, particularly if the countries have not had a land redistribution programme. The failure to tax rental income in one African country, for example, is said to favour further concentration of wealth in fewer families, because the incidence of that country's land tax is relatively heavy on small landowners and because tenant farmers are not protected against tax shifting.

Another form of direct personal taxation, generally known as poll or hut taxes, is used in a number of African countries. Being payable in cash, as contrasted with the voluntary contributions made either in cash or material or labour in community development areas in various countries including India, these direct taxes on the agricultural population probably encourage the marketing of farm products. When originally imposed, however, they were intended to stimulate Africans to seek paid employment, especially in the mines. This type of tax, along with low-rate marketing taxes, is used in areas where individual land rights are rare or not well defined in legal records. The relative importance of poll taxes has declined appreciably in the English-speaking countries of Africa and in the Congo (Leopoldville), whereas it has increased in most of the French-speaking countries. During the past decade various attempts have been made to graduate the poll tax rates to reflect, at least in a rough way, individual taxpaying capacity. Systems of this sort are found in Northern Rhodesia, the Congo (Leopoldville), Uganda, Ghana and Madagascar.

In Tanganyika the poll tax was used, along with a tax on cattle sales, in dealing with the difficult problem of taxing nomads.^{6/} Cattle were first marketed only to pay the poll tax, but the availability of attractive goods in the markets, which beckoned travelling merchants, induced the Tanganyikan Masai to sell many more cattle than were actually needed to meet the tax. Soon they were able to pay more for veterinary services and water supplies, as well as to make large cash purchases for their personal benefit. In the process, herd improvement by culling was stimulated.

Special tax measures to promote land reform

There is also considerable experience with tax inducements more specifically related to land reform objectives.^{7/} A classic instance of this is the surcharge on absentee owners^{of agricultural land which is} levied in a number of countries, especially in Latin America and Australasia. A tax concession directly related to land tenure reform was used in the Republic of Korea, where the tax rate on redistributed lands was cut by 25 per cent, in consideration of the dual burden the new landowners had to carry by paying tax as well as annual instalments for the purchase of the land.

Countries which are striving to extend their cultivable land areas ordinarily grant tax exemptions of limited duration on newly reclaimed land, and new lands brought under irrigation may also be given favoured tax treatment. Other governments have used a variety of special incentive tax applications. The Republic of Korea, for example, encourages two-crop farming by not imposing a tax on barley grown on rice paddies, while in Taiwan land used for testing improved species of crops is favoured with a tax reduction. Under the United Arab Republic land tax law, the tax reduction for small Egyptian landowners is denied to tax payers with holdings scattered over various parts of the country. Ceylon provides a development rebate of 20 per cent to 40 per cent of development expenditures in agriculture. Since 1954 Chile has excluded the value of land improvements from its property tax.

Tax reductions to encourage the growth of agricultural co-operatives of various types are receiving increased attention in many countries.

^{6/} Hicks, op.cit., pp. 338-339.

^{7/} See op.cit., footnote ^{1/}, pp. 222-244.

Co-operatives pay only 50 per cent of the land tax rate in Chile, for example, while in Egypt since 1956 co-operative societies are exempted from import duties on agricultural machinery and equipment, and from some other taxes. In order to facilitate land transfers, farmlands purchased or resold in Japan are exempt from capital, transfer and registration taxes. In Finland, deeds of transfer are free of stamp duty if the transfer is in accordance with land settlement legislation, while a recent law in Italy grants new farmers a five-year tax exemption on land which they purchase.

Another illustration of an incentive tax provision, drawn from Ceylon's experience, is the 1954 tax measure aimed at ensuring the growth of food crops on large commercial estates. A heavy tax was imposed on owners of these estates who did not cultivate a prescribed proportion of their acreage in food crops or else utilize it for dairy production. This tax measure, although credited with stimulating improved land utilization by compelling the planting of hitherto uncultivated portions of estates, was replaced in 1961 by a land tax on estates over 100 acres in extent, including tea and rubber estates protected against fragmentation by law. The new tax, which is mainly for revenue purposes, may also encourage the cultivation of previously idle plots.

Special mention may also be made of the Large Land Holdings Tax in Uttar Pradesh, India. The tax is graduated according to the value of the holding, and exempts farmers who do not cultivate more than 30 acres of land.

These are the more overt uses of special tax incentives to support land reform measures. Many tax laws, however, have hidden incentive aspects which should be examined for their consistency with development objectives. These laws may discourage capital investment in agriculture, as may happen when new investments in producers' capital are immediately followed by increased tax assessments, or they may impose uneven taxes on different crops or agricultural pursuits, with results that may be favourable or unfavourable to agriculture's development. In some countries, for example, cash crops are taxed relatively heavily in relation to the taxation of other agricultural products. The practical consequences of this differential treatment for their development programmes would bear careful analysis.

Tax assessment and collection practices (e.g., marketing taxes) which are both productive of large revenue and expedient from an administrative standpoint may also tend to perpetuate outmoded forms of land tenure or to conflict with government efforts to encourage larger farm marketings, both for the home market and for exports.

Tax revisions to avoid adverse economic effects and to incorporate carefully selected incentive provisions need not impair the basic usefulness of the taxes as fiscal instruments. A more serious danger is that countries will continue harmful agricultural tax practices because of tradition or convenience, even though better methods may be at hand as a consequence of benefits flowing from agrarian reform measures.

The contribution of land reforms to tax reforms

The preparation of an inventory of a country's land resources, including the mapping of public and private lands and the surveying of soil productivity and land use, is the foundation on which sound planning of agrarian reforms should be built. Essentially the same type of resources inventory can serve as the basis for more rational planning of a country's agricultural tax system. Once the inventory is completed, crude acreage or marketing taxes can be replaced by taxes that are adjusted to relative taxable capacity, tax burdens can be shifted from marginal to more productive lands as indicated by the surveys, land valuations can be updated, and provision can be made for current revaluations in line with price and production changes. Furthermore, land reform programmes will bring other improvements in land administration, such as the registration of property rights and the supervision of farm credit programmes, which can be helpful for the identification of property owners liable to taxation and the co-ordination of tax assessments with valuations approved for farm loans.

As a land reform programme becomes fully operative, it will tend to generate higher living standards and a widening monetary economy in the agricultural sector. Such results will provide more taxable capacity and a larger cash flow for tax payments, permitting in the long run at least, both increased tax rates and a broader tax base. The reform programme may also divert income from money lenders and marketing intermediaries, both groups having poor taxpaying records, to producers. To the extent

that a substantial part of the government's increased revenue is spent on projects that benefit the agricultural community, taxpayers will be given a clear incentive to comply more fully with the tax laws and the more widespread problem of taxpayer disaffection should become less troublesome.

Yet it may not always be feasible to proceed at once with stronger fiscal measures to mobilize resources for investment. While measures to redistribute large landholdings or to give tenant farmers additional protection are generally expected to increase agricultural productivity and make larger surpluses available to the rest of the economy, these effects may not be immediately forthcoming. Indeed, the marketable production surplus may fall as a result of the disappearance of economies of scale through the imposition of a relatively low ceiling on the maximum size of land holdings and generally because of the initial inefficiency of inexperienced new landowners.

Furthermore, even when governments are able to move promptly to collect more taxes, the additional revenue may not all be a clear gain. It seems quite evident, for example, from the case study undertaken for purposes of their report in India, that land reform helped to bring order into a confused situation with respect to the land revenue in that country. In many cases it ended the divorce between land ownership and operation; where tenancy arrangements were permitted to continue, rents were regulated to obstruct the shifting of the tax. Gross land revenue receipts grew significantly during India's First and Second Five-Year Plans. But the taxing authorities had to pay a price because, with the elimination of many big landlords, tax administration became a more costly operation involving collections from the mass of small cultivators. Where co-operative farms have developed, however, the task of the taxing authorities becomes somewhat easier.

It should be noted, on the other hand, that the tax collection experience of countries where agricultural production has been dominated by large landowners has often been unsatisfactory, owing to large-scale tax shifting to tenants, inaccurate and unrealistically low assessments, and flagrant tax evasion. A major redistribution of land ownership will generally necessitate a revamping of the land tax and a larger continuing

investment in tax administration, but its net impact on revenues after a transition period should be strongly favourable.

Dynamic aspects of tax policies in
relation to agricultural development

The systematic adjustment of agricultural tax policies to the operation of land reform programmes calls for a dynamic approach to tax planning. In the programmes' initial stages, as already suggested, primary attention should be given to the removal of tax obstacles to agriculture's development and to the introduction of both general and specific tax incentives which help to stimulate the development process. In subsequent stages the focus of tax planning should be more on the long-run suitability of the agricultural tax structure to the evolving needs of an expanding agricultural economy in the context of the country's overall development plan.

Several elements of a country's basic strategy of economic development are directly pertinent to this type of tax planning for the agricultural sector. In the first place, the extent to which taxes should be designed to absorb private savings in the agricultural sector will be determined by the relative importance to be given to private and public savings in bringing about the desired magnitude and direction of investment in agriculture. Secondly, with the help of estimates of the industrial sector's growing requirements for agricultural products and perhaps for manpower released from the farms, agricultural tax policy can be guided by the indicated need to encourage farm families to reserve an increasing share of the additional output for marketing. Thirdly, agriculture's necessary contribution to the country's exports under the development plan is pertinent to those tax decisions which have a differential impact on the growth of agricultural production. Finally, some targets for agriculture's fiscal contribution to the general support of government can be provided by the overall development plan.

It may not be adequate to seek increases in agricultural tax revenues which are merely proportionate to the growth of agricultural incomes, although even that modest a revenue goal will be difficult for those countries which rely mainly on taxes that respond only slowly to changes in agricultural income. Most countries with expanding agricultural sectors probably should aim to raise the proportion of private agricultural income absorbed

by taxation, but always with due regard to the impact of incremental taxes on work and investment incentives and to the position of subsistence level farm units. A rising tax-income ratio, which is the result of a relative, but not an absolute, shift from private to public spending, will ordinarily be needed to finance new development projects as well as the expansion of vital public services.

Along with a rationalization of the land tax base and improved methods of assessment, discussed earlier, a procedure of keeping the tax base current, at realistic values, is another land tax reform urgently needed almost everywhere today.^{8/} Because of the long interval (rarely less than ten years) between assessment periods, and because of the understandable reluctance to make frequent changes in tax rates, land tax collections react only slowly, if at all, to short-run price and production changes. Increased flexibility should make these taxes more equitable, but, even more compellingly, it would have desirable economic and revenue effects in expanding economies. The stabilizing aspects of taxes with built-in revenue flexibility are as important for the less developed as for the advanced economies. Furthermore, marginal increments of income which exceed the population growth are an especially attractive source of taxation for development financing in the less developed countries, particularly when the increments of income are a consequence of increased government investment in agricultural projects.

How to make land tax collections more immediately responsive to price and production variations should be given increased study in connexion with the integration of tax policy with land reform programmes. A ten-year interval between assessments was recommended by the Indian Taxation Enquiry Commission. A more flexible system is being introduced in West Bengal, requiring re-assessment of the taxable capacity of each village not less frequently than at three-year intervals. The wider use of surcharges on land revenue in India was encouraged by the desire to absorb part of the increase in agricultural income due to higher prices.

^{8/} See Haskell P. Wald, Taxation of Agricultural Land in Underdeveloped Economies, Harvard Law School International Program in Taxation (Harvard University Press, 1959), Chapter X.

As far back as 1951 a United Nations Technical Assistance Mission to Bolivia recommended annual adjustments of property tax values on the basis of an index of current property values. A formula could also be devised for making other types of land taxes more flexible, by tying either the assessed value or the actual tax liability to current price and production indexes. As a prerequisite, however, the basic assessments would need to be free of gross inequities. Small changes in the relevant price and production indexes could be ignored, since it is obviously impractical to obtain precise adjustments. It might be appropriate, however, to use regional instead of country-wide indexes, in order to catch the differential impact of prices and of agricultural development on various sections of the country.

Across-the-board tax adjustments, as opposed to individual adjustments for each taxpayer, are comparatively simpler to administer, and they would still leave the maximum incentive for individual farmers to adopt better techniques of cultivation. In Morocco and Tunisia, and in parts of France, revenue flexibility is obtained through the use of commodity prices that are officially declared each season and are applied to the recorded farm output in the cadastre.

A similar problem of revenue inflexibility exists with respect to those marketing and export taxes that are imposed at specific instead of ad valorem rates. The Korean War boom in raw materials markets encouraged many countries to shift to ad valorem rates of export taxation, not only to bolster their revenues but also to protect their domestic economies from the inflationary pressures from abroad. Sliding-scale systems of export duties were also introduced - for example, in Malaya and North Borneo. Marketing boards, which have been rather widely used for major export crops, especially in Asia and Africa, also have some of these effects, although their primary purposes are much broader. Indonesia devised a combination of specific and ad valorem rates, to secure through the former a relatively stable revenue yield and through the latter a fluctuating revenue (especially to absorb high profits due to world market changes). Certain countries assess their marketing and export taxes according to official prices; to the extent that such official prices are not attuned to prevailing market conditions, that practice also needs

re-examining, because it may be a source of short-run instability in their domestic economies.

These efforts to enhance the stabilizing effects of export taxes on domestic incomes offer a striking contrast to the limited steps that have been taken to correct the revenue inflexibility of most types of direct taxation of agriculture. Yet the degree of responsiveness of the latter types to price and production changes can also have a major bearing on domestic monetary stability and on the progress of steady economic growth.

B. The Needs of the New Cultivator for Production Capital

The "new cultivator" whose needs for production capital claim attention when land reforms are introduced may be someone unfamiliar with farming who for the first time has been given the possibility to farm, and who therefore has to face the difficulties and complexities all at once. More often what is new about him is only his status within the farming community. Quite likely he has been a tenant and, as a result of the reform, has acquired enhanced security and more easily bearable rent obligations or else has become the outright owner of his land; he can thus conduct his operations with the promise of longer-term possession and, especially if he is now an owner, with an incentive to invest. Or he may be a formerly landless agricultural worker who has now become an operator, whether as tenant or as owner, and so encounters for the first time the problems of farm management and decision-making.

In any of these situations it is clear that the new cultivator (if he is to do more than merely survive, and if, indeed, in some cases, the new small holdings are not to revert and be reabsorbed by large estates) requires substantial amounts of what may broadly be called production capital. Governments are not unaware of this fact. No doubt the difficulty of providing enough such capital has sometimes been a deterrent to the adoption of a progressive land tenure policy.

Purposes for which capital is needed

Apart from the various supplies and equipment items needed for farm operation in the strict sense, financial provision will commonly have to be made for houses and farm buildings, for a number of general infrastructure items, and for the land itself. The financing of land acquisition will be considered separately, in the concluding section of this chapter. Here

it may be observed, however, that the new cultivator often knows little about the qualities and potentialities of his land and that, in those cases where newly reclaimed land is involved, the governmental advisory service may be equally handicapped. Thus in those circumstances specific research is required, and an advisory service or extension service that will pass the results of such research quickly and effectively on to the cultivator.

Although problems connected with agricultural extension are not under discussion here, it is clear that training through extension, and credit to meet the needs for production capital, go together and complement each other: the former helps the latter to be more purposefully and efficiently used while the latter makes the former fruitful in practical terms. Basically the prospect of productive use of capital will depend on the quality of the use, and here the extension service and what it should be able to do to help farmers improve their business play a most important part. At the same time, in nearly all parts of the world -- Latin America, Asia, the Middle East, Africa -- there are vast areas in which a more ample supply of institutional finance is a sine qua non of further progress, by new and old cultivators alike.

Houses and farm buildings not only serve the living needs of the farmer, they also represent ^{production} capital -- livestock shelters, workshops, processing plants, protected storage space, etc. In new settlements they often account for the bulk of the original outlay; for instance, in Surinam it was estimated that the cost of the dwellings alone was one-third of the total cost of setting up new settlers, including labour expense for clearing, subsistence for the first year, cattle, planting material and tools. In the land reform areas of Italy, the cost of buildings (including water supply and electricity installations) absorbed almost two-thirds of the total capital invested. Any considerable reduction in the cost of housing, either through new and cheaper material or through flexible types of building adaptable to changes in the farm's economy and hence less subject to obsolescence, would go far towards reducing this heavy outlay.

Although provisions relating to physical infrastructure, social services and community life are for many purposes treated as outside the scope of production capital proper, they may nevertheless have a direct bearing on the ability of new cultivators to produce efficiently and to

obtain credit. In new settlements, for example, the social strains created by living in isolated areas without proper community services are only one aspect of the problem. The presence or lack of efficient communications and accessibility to markets, the availability of mechanical power where this can be brought in, the existence^{of} irrigation or reclamation undertakings - these things also greatly affect the productivity and profitability of farming, and thus the potential credit-worthiness of the new cultivator. In many cases the infrastructure costs are borne by the authority responsible for colonization. This is clearly of great help to the new cultivators, and can be defended on grounds of equity since the roads, electricity grid, etc. benefit not only the new cultivators, but also the farmers previously established in the area, and ultimately the nation as a whole.

There remain the capital needs of new cultivators for farm operation in the strict sense. Barring exceptional instances of new settlements that are islands of prosperity amidst generally poor farming conditions, the new holdings created by land reforms are typically small and, initially at least, ill equipped. If the underprivileged economic groups who are being helped are to earn a decent living, some way has to be found of supplying them with diverse kinds of operating capital - livestock, machinery, hand tools, chemicals, seed, etc. These items are costly in total, are likely to be required immediately, and demand skill in their use and maintenance. Special arrangements may also have to be made for subsistence until the first harvest. Even a lengthy waiting period may sometimes intervene before any returns can be expected, as in the case of newly planted trees that require years to come to bearing age.

Selected country experience

In the present report, only a brief review can be provided of credit or capital facilities made available to new cultivators in some countries for which information exists. Under Ceylon's Gal Oya development scheme, a colonist is given, besides his holding, which is small, a two-room cottage, seed paddy, agricultural implements with which to start cultivating, and a six-month subsistence allowance to tide him over until the first harvest. All necessary infrastructure facilities such as roads and irrigation channels, as well as civic amenities such as hospitals, schools, dispensaries and community halls, are also provided as part of the scheme.

An interesting feature of Ceylon's colonization projects is what has come to be called "advanced alienation", which has been introduced since 1957. Under this system the colonist is selected and brought to the site two years before irrigation can be provided. During the initial period he is housed in temporary quarters and is given a subsidy for clearing his allotment. Together with other colonists he also contributes his labour in clearing jungle and constructing irrigation channels, roads and civic buildings, for which he is paid at current wage rates. This arrangement has not only cut down the cost to the Government but has also served to create in the colonist a sense of pride and of participation in the scheme, causing him to improve his allotment. At the same time he becomes familiar with the land and the environment, learning how to work in the actual circumstances. His leasehold, for which he pays only a nominal rent, is given to him in perpetuity.

In China: Taiwan, no new financing agencies have been created specifically for the land reform programme. The Government has, however, taken steps to strengthen the various existing farm credit agencies and expand their operations, and the island's farmers have enjoyed unusually favourable conditions in that regard, particularly in view of the assistance they also receive from the township farmers' associations. Among the numerous agencies involved may be mentioned in particular the Co-operative Bank and the Land Bank. In the period from 1955 to 1959, agricultural production loans, mostly short-term but some up to three years, were granted to a total of about 2.7 billion New Taiwan dollars. In addition, water conservancy loans were issued amounting to NT\$370 million; agricultural loans repayable in crops totaled NT\$180; and a combined total of roughly NT\$130 million was loaned for varying periods for land improvement, farmland purchase and purchase of farm implements.

India's experience serves as a reminder that the need for expanded production credit (like the needs for technical advice and marketing service) may often not be confined to the beneficiaries of land reform but may rather affect virtually all small farmers in the country. Moreover, in states like Uttar Pradesh, Bihar and Bengal where land reform consisted in taking over rights of intermediary interests, and also in states where rights of ownership to areas in excess of a ceiling have been terminated and redistributed, the financial needs of the beneficiaries remained

substantially the same as before land reform. An effort is made to meet the financial requirements of small farmers, partly by direct government loans for participation in productive improvements but mostly through membership in co-operatives, and the volume of co-operative and other rural credit is on the increase. As a rule, however, the land reform areas were devoid of the basic services of land administration, and initiative and leadership were not well developed among their small cultivators. Special efforts to accelerate administrative and co-operative reform of these areas are being made by state governments with the assistance of national agencies.

In Iran, where land reform started with a distribution of crown lands, responsibility for financing the small allottees had to be taken by the Development Bank, which was largely a concern of the ruler himself. This bank was put in charge of implementing the programme of redistribution of crown land as well as of guiding the process of settlement by new farmers. The resources at its disposal, however, fell far short of meeting the needs, in spite of some foreign assistance and a loan from the Agricultural Bank of Iran. The latter bank is now the principal institutional source on which agriculturists have to rely. An effort is made to reach the poorer farmers through local co-operative associations of which the Government's reports that there are 800 with a membership of 289,000 and total lendings of 770 million rials; small deposits are received from their members as well. But, compared with the total of outstanding loans by the bank, 4 billion rials, the finance reaching the small cultivators is very limited, and even this appears to be largely used for consumption purposes. Here again it is clear that what is needed is not only adequate financial aid at the top but also the creation or strengthening of institutions and services through which the aid can be brought to bear for developmental purposes throughout rural areas.

Latin America also provides illustrations for some of the lessons and hazards associated with the settling of people on new land. Here as elsewhere new settlements have sometimes failed because the difficulties confronting settlers on newly opened land proved overwhelming. In Paraguay and Bolivia, for example, settlers abandoned their land after felling the trees. In the former instance they were given the land and nothing else; in the second case their indebtedness was too great and the productive capacity of their holdings too small.

In Venezuela, it was found in 1958 that 30 per cent of the colonos settled in Colonia Turén four years earlier had abandoned their parcels of land; in Colonia Durute, the percentage was 63. The initial cost of deforestation and of bringing new land under cultivation, which was very high, had been largely borne by the Government of Venezuela as social investment, and sizeable financial provisions were also made for the settlers - the Aroa settlers, for instance, receiving an allowance of US\$3 a day. This generous treatment was, however, unrelated to training or to productive employment. Moreover when the Instituto Agrario Nacional provided colonos with farm machinery and farm operations, they became involved in heavy debts (approximately \$15,000 per settler on the average in Turén by 1957) on account of the low productivity of their land and the extremely easy terms of credit. As has often been noted, credit is a double-edged weapon, dangerous in cases such as these unless it is supervised and linked with sound agricultural extension and other supporting activities.

In an economically advanced country with well developed credit institutions and relatively ample resources, many of these problems do not arise. For example, a farmer obtaining land under the land reform programme of Sweden usually pays for it at once by borrowing from a banking institution of his own choice. The repayment of these loans can be guaranteed by the Government if necessary and spread over a period of up to 30 years. Guaranteed loans are also given for production purposes. These loans bear the lowest rate of interest charged by the banking institutions for loans of similar security.

The beneficiaries under Finland's land settlement legislation have the payment for their land deferred provided they undertake improvements by clearing or draining the land, constructing buildings, etc. In addition, they receive premiums or subsidies for such development projects undertaken by them on their farms, as well as tax relief for five or six years with the possibility of an extension for another three years. The State meanwhile has undertaken a number of large-scale projects for road construction, clearing, etc. which are considered as public works not directly assisting individual beneficiaries and hence are paid for by the State.

The United States, whose long-range land distribution programme was largely completed some fifty years ago, has nevertheless continued to

provide special help to small family farms. The farm credit programme dates from 1916. Essential features of the policy are that the potentially viable farmer is not left to struggle without legitimate social assistance, that this assistance is given only if other normal resource is not available, and that it is always for programmes which are adjudged as financially sound. Public resources are thus used mainly in a promotional role. The federal structure of co-operative banking institutions has received direct capital participation of the Government with a view to enabling these institutions to attract resources, render services and ultimately be strong enough to do without government participation, while the Farmers Home Association has given special attention to the developmental needs of the marginal farmer. Between June 1955 and June 1960, Government capital in the thirteen Banks for Co-operatives, twelve District Banks and one Central, declined from 59 per cent to 45 per cent of the net worth of the system while the farmers' share in co-operative equities rose from \$1.7 billion to \$2.1 billion.

As the Italian land reform mainly took place on latifundia which were badly equipped for internal colonization, priority in resettlement operations was given to the construction of dwellings and service centres. These have as a rule been sited within easy reach of road and rail. Industrial plants, commercial and other activities are developed on a scale which can satisfy the needs beyond the immediate limits of the reform. Trading centres have also been established to supply farm requisites and collect the produce for sale. Because the settlers have in many cases been selected from among landless labourers, they lack not only capital but farm management experience and training in the use of modern techniques. Success in this land reform has been due in large measure to the active institutional and co-operative servicing offered to the newly created class of farmers. Financial provision by the Government has included the following: (a) the land or estate capital; (b) wages to assignees working on land improvements during the initial period of reduced productivity of the land; (c) advances at a reduced interest rate repayable after harvest (a form of credit later replaced by bank loans); (d) livestock and equipment, supplied by the reform agencies to the new farm units and paid for in instalments over a period of 5 - 12 years at an annual interest charge of 3.5 per cent; (e) supervision and encouragement to the

co-operatives which settlers are obliged to join under the land reform law - both direct financial support and indirect assistance by making premises available to these co-operatives free or at nominal rents, passing on to them bulk purchases at cost, etc.

The requirement that beneficiaries under land reform should join specially created co-operative societies is a feature of some other recent land reform laws as well, such as those of the United Arab Republic, Syrian Arab Republic, Iran and Cuba. In the UAR, a systematic and determined effort was made to see that all the financial and other services needed by the new landholders were adequately supplied to them. The supervised co-operatives were accordingly established to advance loans to their members and provide them with all farm requisites, undertake the organization of cultivation in the most efficient manner, sell crops on behalf of their members and render "all other agricultural and social services required by members". Each member was required to make a capital subscription by acquiring a number of shares equal to the number of feddans of land assigned to him. These co-operatives have in many instances been successful in increasing production and have, at the same time, provided a method of enforced saving and built up their own financial resources. Substantial sums have been set aside for future productive investments, as well as for social purposes such as pensions and sickness benefits for their members.

In Cuba, the supply of production credit, which is handled by organs of INRA (National Agrarian Reform Institute) has been increased considerably: current agricultural loans by branch offices rose from a total of US\$3.5 million at the end of 1958 to US\$69 million two years later. Apart from the sums made available to sugar-cane co-operatives and to People's Farms, loans amounting to US\$15 million have been made by INRA to the National Association of Small Cultivators for use in promoting cultivation of coffee and cocoa by its members. The Government reports that its credit programme has eliminated the usurious profit margins of middlemen and merchants.

The comprehensive approach long followed by the Soviet Union and the countries of Eastern Europe is well known. Yugoslavia is emphasizing co-operatives to overcome the difficulties of small cultivators in securing modern capital equipment and using it efficiently. The co-operatives offer services in land development and irrigation, land use planning,

major agricultural operations and land consolidation. They are well endowed financially, and every effort is being made to increase the use of their facilities and services by small cultivators. Attention is also being given to speeding up the merging of small holdings into co-operative farms using modern equipment, methods and techniques.

In Bulgaria, during the first stages of the reforms introduced at the end of the second World War, when land was distributed to the landless and the very small farmers, the State gave credits at a very low rate of interest to enable the beneficiaries to acquire livestock and agricultural equipment. Since then, the co-operative farm sector has rapidly expanded and now covers over nine-tenths of the agricultural industry. Mechanization, modern research, trained personnel, materials, improved breeds, and a variety of modern facilities are increasingly becoming available to these co-operative farms.

As regards the repayment of loans and the meeting of other obligations, such as delivery quotas, problems have sometimes arisen. For example, in Bulgaria, in 1957, as part of new measures aimed at increasing agricultural production, changes were introduced in the method of financing co-operative farms. Longer terms were granted for repayment of loans for capital investment, and the Investment Bank in addition waived its right to claim shares in projects such as land improvement or hothouse construction carried out by co-operative farms with the help of its loans. Repayment was deferred up to 15 years in the case of co-operative farms which found themselves in financial difficulties for reasons beyond their control; some of them, in fact, have had their debts remitted. Improved prices were also paid for produce delivered.

The People's Republic of China has employed some novel methods and attempted also to carry the co-operative process further still by creating the communes. At first, since agricultural equipment was not available for distribution, the peasants were encouraged to meet many of their capital needs by applying their manual skills, abundant labour and special team work - in this way making the available materials and simple methods serve the purpose on the farms and in the villages. Ingenuity was called for in farm operations, and reports indicate that, crude as some of the methods employed might have looked to sophisticated observers, they at

least helped to improve the capital equipment at the disposal of farmers and villagers.

How well any given arrangements succeed in meeting the new cultivator's needs for production capital should be largely judged by the results in terms of agricultural development. However, attention should certainly also be given to the cultivator's balance sheet of receipts and outgoings. This balance sheet can be weak on either side. His receipts may be low for a number of reasons specific to his operation -- the small size of his holding, the poor production potential of his farm, his lack of farming skill, the insufficiency of his capital, etc. Or they may be held down by inadequacies of infrastructure facilities (such as roads and power sources) or by weaknesses of institutional machinery (for example, lack of the skill and experience needed to manage co-operatives), or even by an adverse social climate (the strain of an isolated existence, or the stresses encountered in heterogeneous new communities). His outgoings, on the other hand, may be high because of a high initial commitment or too short a period of repayment for the land, house and farm buildings, land development, stock, equipment, materials, and even subsistence; or because he continues to have a weak bargaining position, or lack managerial skill; or even because he lacks thrift.

The promise held out by land reform can prove to be illusory in the absence of well-thought-out provisions to finance the new cultivator's initial requirements. Careful evaluation and constant watch are also needed afterwards to see that the arrangements are functioning so as to enable the achievements of land reform to be consolidated and further extended. Here stress needs to be laid on making the new cultivator increasingly self-reliant with the help of institutional arrangements for credit, advisory work, research and infrastructure facilities.

C. The Payments for Land : How They Affect
Former Owners, New Owners and the Government

A major consideration in land redistribution is the basis and form of compensation to former owners and the payments to be demanded of new owners. Apart from the equity aspect, the determination has important economic implications, especially for the government's budget.

Basis of valuation for the purpose
of compensating expropriated landowners

All of the countries responding to the questionnaire and reporting on land redistributions carried out in recent years have paid some measure of indemnity to their expropriated landowners.^{2/} The basis employed for computing this indemnity has varied widely. Sometimes the current market price or market value has been taken as the point of reference, whether for payment in full or in part. More commonly the value of the land for compensation purposes has been derived from one or a combination of other related factors - chiefly valuations as shown in land tax records, recorded land revenues, rents collected, landlords' net income, or value of produce.

Current market price or market value as a standard for compensation payments suffers from several difficulties. Technically speaking, it may have little practical meaning if no real land market has existed previously; for example, the entire Fucino district of Italy, one of the areas involved in land redistribution, had belonged to a single owner and there had been no conveyances of this property in the recent past. More important is the fact that the government of an underdeveloped country undertaking large-scale land reform cannot simply bid for land on the open market through ordinary commercial transactions, since this would drive up prices beyond any reasonable value - and beyond the government's means. Indeed, land reforms themselves set in motion a number of forces that may affect market values of land well in advance. Sales records of a period in which land reform has already been under discussion are apt to be unrepresentative, necessitating the choice of a definitely earlier base period - although, to be sure, the older values may sometimes also be unrealistic, e.g., because of an intervening inflation of the general price level. Another major consideration, as far as full market value compensation is concerned, is of course the question whether the principles of social justice from which land tenure reforms derive so much of their inspiration would allow the marketplace to reward landowners for the rare privilege they have been enjoying.

Thus, some compensation schemes are expressly designed to pay former owners substantially less than prevailing market prices - whether

^{2/} The expropriations without compensation to landowners in the USSR, mainland China and the socialist countries of Eastern Europe had been completed previously.

because land prices on the open market are inflated (e.g. by speculation), or because they are judged to be the expression of an unjustly privileged position and unjustified profits enjoyed by the landowners in the past, or simply because neither the national budget nor the beneficiaries could shoulder such a large burden. And even where the intent is clearly not to penalize expropriated landowners, but rather to compensate them adequately for their loss, some degree of pressure or compulsion needs to be brought to bear to obtain the land, which puts the determination of compensation outside the market in the strictest sense.

No deviation from market standards may, however, be sought, particularly if the extent of land redistribution is small. In Colombia, landowners have been free to negotiate with the Government. In Venezuela, the Government may propose an amicable agreement with the landowner; if agreement is not reached in 90 days, the court may appoint experts selected by the two parties; if these experts do not effect an agreement, the court may in turn appoint its own experts. The latter are required to take into consideration average production over the preceding 6 years, the declared or assessed value for previous tax purposes, the acquisition price of the property in the last conveyances of ownership in the preceding ten years, and the acquisition prices of similar properties in the preceding 5 years. In the Philippines, "fair market value" for expropriated land is interpreted by the courts in terms of the prevailing prices of similar land in the immediate area, taking into account the soil, topography, climate, actual production, accessibility and improvements; land is also acquired by the Government through direct negotiations with landowners. In Spain, compensation is based on the average between the valuations of surveyors appointed by the proprietor and by the Government. Their estimates must take into account the cadastral value, the production in the last five years, the current market price of similar holdings, and, in the case of irrigable land, the upper and lower limits for different categories of land as laid down by the General Colonization Plan. Where these two surveyors disagree substantially, a third, court-appointed surveyor makes another evaluation and the Government then decides, within the limits indicated. The Government may offer to buy livestock, machinery and produce on hand but the owner is free to refuse the offer.

In India, a major part of the land reform completed to date has consisted in buying out the rights of the intermediary landlords, or zamindars, while the direct acquisition of land owned in amounts above prescribed ceilings lies largely in the future. Basically the same principles of valuation have been adopted for application in both cases. In some states of India, the open land market is used as the point of reference. In Kerala, compensation for holdings above the permissible ceiling will be not the full market value but a percentage of market value which will vary according to a sliding scale, the smaller owners being favoured. The Punjab legislation proposes to place tenants whom landowners have ejected on excess land and give them the right to purchase it at three-fourths of the market price after paying "fair rent" for 6 years. In Orissa, the Government itself does not acquire the land; landowners with excess property must sell to persons with subsidiary rights as defined on the official priority list. If the owner and those on the priority list fail to come to agreement, the revenue officer is authorized to allocate the land at the current market value for similar holdings in the locality.

Cuba has provided for compensation to expropriated landowners on the basis of the land tax valuation records, utilizing the value of land declared by the owners for purposes of municipal taxation before 10 October 1958. Improvements are valued separately by assessors, subject to judicial review in case of dispute.

Land tax valuation records also formed the basis for compensation in Italy. Since the cadastral surveys, which take the potential income of the property into account, were in some cases out of date, Italian landowners were permitted to appeal against low valuations; they have frequently been discouraged from doing so, however, because a higher valuation would subject them to higher back taxes. It appears probable that they have received far less indemnity than their property would have brought on the open market.

In Assam, Delhi, Gujarat and Maharashtra, the amount of the land tax serves as the basis for compensation for land expropriated above the prescribed ceilings. In Assam, former owners are entitled to 25 times the annual revenue for fallow land and 50 times for other land. In Delhi,

compensation is determined by multiplying the land revenue by a coefficient which decreases as the acreage increases. In Maharashtra, additional compensation is paid for the estimated value of irrigation. For expropriated zamindars in Madras, the general basis is the ryotwari land revenue rates. In Uttar Pradesh, the basis for compensation for excess lands will depend on the status of the title holders: bhumidhars' compensation will be based on land revenue while assami will receive 5 times the rent. Here as in some other states in which compensation is not on a sliding-scale basis, provision is also made for the payment of rehabilitation grants to smaller intermediaries.

In the Republic of Korea and the United Arab Republic, compensation has been fixed on the basis of taxes which in turn had been based on the estimated value of production. In the United Arab Republic, the land tax was originally set as one-seventh of rental value which was fixed on the basis of the product of the land, calculated in 1945-1946. Thus compensation, being established at 10 times the rental value of the land, was equal to 70 times the original land tax. Additional compensation has been given for the value of fixed and movable installations and trees. In the Republic of Korea, the average annual crops of representative fields in each township area were calculated and compared with their land income tax. The resulting coefficients were in turn applied to the land income tax of the other holdings in the area to estimate their average annual production, and compensation was then established at 150 per cent of the latter amount. By way of exception, higher multiples of the average annual yield of principal crops were paid in municipal areas, current market prices (determined by competitive bidding in which the incumbent cultivator had first priority) were paid for farmlands with permanent tree crops, and special compensation was given to owners of newly cultivated lands.

In China: Taiwan, compensation has been related directly to the value of production, being fixed at two and one-half times the standard amount of the annual yield of the principal crop as originally estimated for the rent control programme. The value of improvements may be estimated separately - in terms, for example, of the previous house property tax - and incorporated in the total compensation price. Alternatively, in the

case of estates partly expropriated, the beneficiaries can continue their previous tenant relationship as regards the use of improvements.

Several states in India have used the zamindar's net income from the land as the reference point for his compensation. (In the Punjab, compensation is calculated in terms of his gross income, being equal to 8 times the annual rent and dues which he has collected.) Net income is calculated by deducting from the zamindar's usual aggregate income from his estate various cost items such as land revenue payments, cess, agricultural income tax, local impositions, management costs, arrears of rent, etc. In Assam, a sliding scale of coefficients is applied to the average net income for the preceding 15 years. In Madhya Barat, a flat rate is applied to the net income of the preceding agricultural year. In some other states of India, the base period differs for the different items entering into the aggregate. Again in the case of owners required to divest themselves of excess holdings, some Indian states have proposed employing net income as the reference point. In Madras, Mysore and West Bengal, compensation will be a multiple of net annual income in the case of tenanted land; in Mysore, for example, it will be 15 times the net annual income. In Rajasthan, however, compensation will be computed by applying coefficients to gross annual rental income which decrease as income rises. As a variant, Bihar compensates owners of excess lands at flat rates according to the class of land and type of tenancy of the beneficiaries.

Forms of compensation

The burden of compensating expropriated landowners has, as a rule, been spread out over a period of years; instances where full indemnity has been paid at one time in cash, as in Colombia and Spain, have been the exception. Thus, former landowners have usually been given bonds for all or a substantial part of the compensation amount established for their property. This has eased budgetary difficulties (especially as the rates of interest paid have generally been low, even by long-term bond standards) and it has served to avoid the inflationary impact of large lump-sum disbursements.

In India, compensation to zamindars has been given partly in cash and partly in bonds, the proportions varying from state to state. Sometimes, pending final decision on compensation methods, partial ad hoc payments

were made. In Madras State, as much as half of the final settlement was paid in cash. In West Bengal, the zamindar received the whole indemnity in cash if his net income from the land was less than 250 rupees, but higher incomes were compensated with progressively smaller proportions of cash; the 20-year bonds for the remainder are not negotiable. In most Indian states, the bonds given in compensation to zamindars are negotiable, and are redeemable in equal annual instalments over periods varying from 20 to 40 years. Owners of land in excess of ceilings have likewise received cash and bonds in proportions varying from state to state, and various sliding scales have been applied. Usually these compensation bonds are transferable, bear interest at 3 to 5 per cent per annum, and can be redeemed in equal annual instalments over 20 years. In Maharashtra State, two classes of bonds are given, one type redeemable over 20 years in equal annual instalments and the other redeemable at par after 20 years.

In Italy, all compensation to expropriated landowners normally takes the form of 5 per cent negotiable bonds. The bonds are payable in 25 years but are in fact to be paid off by annual, and later by semi-annual, drawings beginning at the rate of 1 billion lire a year and increasing subsequently. Cash can be obtained for them, up to a limit, by landowners desiring to make authorized improvements on the part of the original holding (one-third of the total) remain in their hands. These cash advances have amounted to 10 or 15 per cent of total indemnity payments. The bonds are moreover accepted in payment of land taxes still owed on their requisitioned property.

In China: Taiwan, 70 per cent of compensation has been paid in land bonds redeemable in crops or their cash equivalent, as a safeguard against loss through inflation, those for expropriated dry farming land being linked to the wholesale price of sweet potatoes, and those for paddy fields to rice. The land bonds are transferable, bear 4 per cent interest and are redeemed by equal instalments twice a year over 10 years. Stocks in government enterprises were given for the remaining 30 per cent of the compensation. These were transferable, and it appears that landowners have, in fact, usually disposed of their stock holdings.

The foregoing plan under which landowners affected by expropriation would acquire shares in government-owned industries - designed among other things to enlarge and strengthen the industrial middle class - has

also been written into the land reform programme of the Republic of Viet-Nam. On the other hand, in India it appears to be felt that the channeling of large numbers of small compensation instalments into particular investments would be an unmanageable undertaking.

In the Philippines, a maximum of 50 per cent of the compensation is paid in cash and the remainder in land certificates, except that full payment in cash is made in certain cases of expropriation through the courts. The Government may also negotiate exchanges of its own land for private land to be requisitioned. The land certificates are payable on demand but earn 4 per cent annual interest if held for 5 years, 4-1/2 per cent if held for 10 years, and 5 per cent after 15 years. Additional inducements against not cashing them are that they are exempt from all forms of taxes and may be used to buy government land, to pay taxes or to buy shares or assets in government corporations.

In Venezuela, payments for land are made in cash up to a value of 100,000 Bolivars, larger amounts being compensated in bonds. Owners of uncultivated and indirectly operated properties receive 20-year, 3 per cent bonds; others are generally given bonds maturing in 15 years at 4 per cent annual interest. These two classes of bonds are not transferable; however, they will be accepted as security for, or in repayment of, agricultural loans from official financial institutions, and they can be used, up to 5 per cent of their total value each year in the first case and 6.6 per cent in the second, for payment of national taxes. A third class of bonds, maturing in 10 years and bearing interest fixed in relation to the bond market, is given in compensation for exceptional properties which are considered to have fulfilled their social function but which have had to be expropriated as being needed for completion of a development project. They are exempt from income tax. Moreover, in the case of these properties, cash compensation is given for improvements, livestock and mortgages or privileged debts incurred for development purposes.

In Cuba, the compensation provided for consists of State bonds bearing 4-1/2 per cent interest, redeemable within 20 years by annual lots. The holders are allowed exemption for ten years from personal income tax on income derived from investing in new industries the amounts received in indemnity. In replying to the questionnaire, the Government of Cuba reported that it had paid \$6.8 million for expropriated land - \$5.55 million in bonds and \$1.25 million in cash.

In the Republic of Korea, compensation has been almost entirely in bonds, payable in five annual instalments. In the case of ordinary farmland, the instalments have been adjusted for variations in the price paid by the Government for grains. Land under permanent tree crops, however, has generally been compensated in bonds issued in cash denominations at a rate determined by open competitive bidding in which the existing tenants were given the first priority to bid.

In the United Arab Republic (Egypt) compensation is in bonds bearing 1.5 per cent interest and redeemable in 40 years. They may be used to buy fallow land or to pay land or inheritance taxes. Prior to 1958 the bonds carried a higher rate of interest, 3 per cent, and were redeemable in 30 years.

Payments by beneficiaries

The financial arrangements involving the beneficiary peasants who obtain redistributed land have been almost equally varied. No payment at all may be asked, as in Cuba; or, at the other extreme, full payment of compensation and other costs. What is has usually meant to the former tenant is that, upon acquiring ownership, he has had to make, for a certain period of years, instalment payments not exceeding his previous rent payments. The requirement would tend to be considerably less than previous rent if the latter were not already reduced from oppressive levels prior to the land redistribution.

In Italy, the 30 annuities owed by the beneficiaries originally bore interest at 3.5 per cent beginning after two years; in 1961 this was reduced to a maximum of 2 per cent. The principal sum to be collected from them equals two-thirds of the price of the land acquisition, plus a maximum of 44 per cent of the cost of improvements made by the State. The charge for improvements has, however, been reduced in many cases in order not to exceed the beneficiary's ability to pay, as estimated on the basis of his average annual net income in the fourth, fifth and sixth years after receiving the land, and the number of his dependants. It has been calculated that in fact beneficiaries on the average will be liable for only about 20 per cent of the cost of these improvements, and that the Government will recover from the beneficiaries about 18 per cent of its total outlay on land reform.

It is clear that the beneficiary of land reform in Italy pays appreciably less than the most reasonable rent for similar farms in areas outside the operation of land reform - less than \$19 per acre a year, on the average, as against \$40 to \$50 per acre. He does not, however, obtain full title until all his obligations are discharged, and he is not free to discharge them before the stipulated date. This restriction is designed to prevent the new holdings from passing into the hands of financing intermediaries or other interests not intended to be served by the land reform.

In Venezuela, the beneficiaries amortize in 20 to 30 yearly instalments a predetermined proportion of the cost of the land, the improvements and the first year's working capital provided by the Government. No charge is included for the cost of community facilities and services, and the payments for amortization of the acquisition price of the land may be reduced where land prices are unduly high. Amortization payments may in any case not exceed 5 per cent of the gross value of production. A 5 per cent reduction is also permitted for each of the beneficiaries' dependents, and if he meets his obligations during the first half of the stipulated payment period and has achieved above-average productivity, he is excused from further payment. Moreover, the especially underprivileged are freed from all charges.

In the United Arab Republic, it is planned to collect practically the entire cost of land reform from the beneficiaries. Farmers receiving land are expected to pay 40 equal annual instalments which will cover the expropriation price, 1.5 per cent interest per annum, and 10 per cent overall for administrative costs.

In Spain and the Philippines, compensation to expropriated landowners and other costs of the redistribution are expected to be completely covered by receipts from the beneficiaries. In Spain, they are charged 20 per cent of the combined cost of compensation and improvements as a down payment. The balance, with the addition of a 5 per cent charge for administrative costs and 3 per cent interest, both applicable only to the cost of the land, is generally payable in 20 annual instalments. In the Philippines, beneficiaries repay the price of their land over a period of 25 years at 6 per cent interest, plus the costs of surveying, subdivision and registration.

In the Republic of Korea, beneficiaries were made liable for 5 annual instalments in kind, the total being equal to the compensation paid to the landowner. Delays were, however, permitted and in 1954, at the end of the first five years, only 72 per cent of the payments had in fact been collected. Six years later, all but 5 per cent had been paid up. In some cases, beneficiaries were also liable for the former owner's unpaid taxes.

In China: Taiwan, beneficiaries have been required to cover the expropriation price over a period of 10 years. Their payments, like the instalments on the former owners' compensation bonds, are calculated in kind, so that the cash values depend on the current market price of specified agricultural staples.

In most of the Indian programmes the beneficiaries of the legislation abolishing zamindars have been required to pay to the state, towards covering both acquisition price and previous land tax, the same amount as their former rent; nowhere has payment exceeded the old rent. In some Indian states, the former tenants of zamindars may acquire full ownership - as in Madras, where they are granted full tenure and are liable only for the ryotwari revenue assessment, not the former rent, and in Uttar Pradesh, where they may become owners by paying the Government 10 times their former rent in a lump sum, or 12 times the rent in instalments. Many cultivators in India have thus far preferred to remain in a secured tenant status in relation to government, rather than acquire ownership rights. In regard to those who may become owners on expropriated lands above established ceilings, it is generally expected that payments from beneficiaries will more or less equal the landowners' compensation, although express provisions for achieving such a balance are absent in the programmes of certain states including Kerala, Uttar Pradesh and West Bengal.

Effects on the Government budget

From details already mentioned, it is clear that in some countries a large part of the cost of acquiring land for distribution has fallen or is expected to fall on the budget. This applies, for example, in the case of Venezuela. In 1960, the first year of Venezuelan land reform on a large scale, the cost of land redistribution reached a total of 108 million Bolivars - 66.5 million Bolivars in bonds and the balance paid

in cash. The 1960-64 plan envisages an outlay of 930 million Bolivars on land redistribution.

Similarly in Italy, the Government has assumed not only a large part of compensation costs but has also made heavy investments in improvements and infrastructure of which the beneficiaries will repay only a minor proportion. Indications are that the Italian land reform agencies will have received appropriations equal to \$1,024 million for the fiscal years 1949-50 through 1962-63. By 1961, they had undertaken commitments amounting to \$1,100 million dollars, of which they expect to recover about \$200 million from the beneficiaries. It is noteworthy that the sums paid or payable for indemnities to expropriated landowners amounted to only \$84 million, or considerably less than 10 per cent of the total.

The Governments of Spain, India, Republic of Korea, the Philippines, Republic of China and the United Arab Republic (Egypt) are among those that expect eventually to cover all or most of their expenses by means of receipts from the beneficiaries, as already indicated. The recovery may, however, sometimes be delayed. For example, when the intermediaries were abolished in the Indian states of Bihar, Uttar Pradesh and West Bengal, the compensation paid to them had to be met in large part by public borrowing, since public revenues did not increase correspondingly. The rents collected from the actual cultivators covered only a small part of the additional sums being spent for land and revenue administration. Furthermore the returns from agricultural income taxes fell heavily - 74 per cent in Bihar, 60 per cent in Uttar Pradesh and 58 per cent in West Bengal - as a result of the fact that agricultural income was now distributed among a large number of small holders in place of a few large income earners. Taking compensation payments in their various forms in India as a whole, their peak will probably be reached some time during the Third or Fourth Five-Year Plan. But the growth in land revenue is expected to make the reforms self-financing in the long run.

It is self-evident that governments often undertake land reform primarily in the interests of redistributive justice, letting other considerations take second place. However, apart from social policy and in addition to the broad implications for economic development, the question of the fiscal impact as reflected in the budget cannot be ignored.

February 9, 1962

Mr. D. Christodoulou
Rural Institutions and Services
Division
Food and Agriculture Organization
Viale delle Terme di Caracalla
Rome, Italy

Dear Mr. Christodoulou:

I wish to thank you, on behalf of Mr. Demuth, for your letters of January 24, enclosing a copy of the redrafted chapter on Progress of Land Reform in General, and January 30, enclosing the redrafted chapter on Land Reform and Agricultural Productivity and Output, for the 1962 Report on Land Reform to the ECOSOC.

Sincerely yours,

Enrique Lopez-Herrarte
Liaison Officer
Development Services Department

ELH:ml



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Viale delle Terme di Caracalla
R O M E

Cable Address: FOODAGRI, ROME

Tel. 590011 - 590211 - 599071

TELEX: RM 081 FOODAGRI

Please quote: FA 5/5 RUT
Référence:
Sirvase citar:

Dear Miss Henderson,

FEB. 8 1962 cc: IBRD ✓

...
In connection with Dr. Kimmel's cable to you of 31st January, 1962 I am enclosing material for Chapter I of the 1962 Report on Land Reform.

This material includes the following:

- a. A summary of Progress of Land Reform in General
- b. A summary of Land Reform and Agricultural Productivity and Output
- and c. Material on UN Aid in the Field of Land Reform comprising:
 - (i) Introduction
 - (ii) FAO
 - (iii) IBRD
 - (iv) ILO
 - (v) UNESCO

The material listed under c. above is rather preliminary in nature because we are in correspondence with the other Agencies concerned with a view to securing possible additions or amendments to their respective sections.

We have not yet summarized the Chapter Land Reform and Employment, Wages and Living Conditions because we are in correspondence with ILO, the Agency responsible for its redraft, with a view to effecting certain additions to the redraft already circulated. Dr. Jacoby, who is at present in Geneva on other duties, will discuss this matter with ILO representatives and will bring back the final version which we shall then proceed to summarize and circulate as soon as possible.

We have prepared a summary of the Chapter Land Reform and Community Development in which account was also taken of the FAO comments communicated to Mr. Pierson by Dr. Jacoby in his letter of 19th January 1962. We have not, however, reproduced this summary for circulation pending your reaction to the FAO comments just mentioned. We can, of course, send it to you or even circulate it if you think it will serve a useful purpose.

Miss Julia Henderson
Director
Bureau of Social Affairs
United Nations
New York, N.Y.
U.S.A.

As Dr. Kimmel mentions in his cable, referred to above, we expect that you will supply the UN part of the UN Aid section, the section on Relation between Land Reform and Economic Development, and the summary of the Chapter Financing Land Reform to the redraft of which, we understand, you are putting the final touches.

There remains, of course, the job of integrating all this material into a well-organized chapter and suggestions to that effect will be gladly received.

Yours sincerely,

D. Christodoulou
Land Tenure and Settlement Specialist
Land Tenure and Settlement Branch
Rural Institutions and Services Division



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Viale delle Terme di Caracalla
R O M E

Please quote:
Référence:
Sírvasse citar:

RU 7/10

Cable Address: FOODAGRI, ROME
Tel. 590011 - 590211 - 599071

FEB. 6 1962

Dear Mr. Black,

I write in reference to the report on developments in the field of land reform which the UN, in cooperation with FAO and other agencies concerned, will submit to the Thirty-Fourth (Summer 1962) Session of the Economic and Social Council. Preparations for this report are far advanced and the time has come for representatives of the UN and the other agencies to meet in order to finalize the draft. I am, therefore, pleased to invite the International Bank for Reconstruction and Development to be represented at the Eighth Inter-Agency Meeting on Agrarian Reform which will be convened at FAO Headquarters, Rome, on 8 March 1962, at 10 a.m. I suggest the following provisional agenda:

- (1) Finalization of the draft report on developments in the field of agrarian reform to be submitted to the Thirty-Fourth Session of ECOSOC;
- (2) Review of programs of the agencies in the sphere of agrarian reform;
- (3) Other business.

I shall be happy to receive any comments and additions which you may care to suggest concerning this provisional agenda so that I may notify the other participating agencies in advance of the meeting. I should also be glad to be informed of the names of your delegates and to receive any documentation which you think might be helpful to the meeting.

Yours sincerely,


E. R. Sen
Director-General

Mr. Eugene Black
President
International Bank for Reconstruction
and Development
1818 H Street
Washington, D.C. U.S.A.

ack. mar 2, 1962



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Cable Address: FOODAGRIL, ROME
Tel. 580011 - 580211 - 580271

Viale delle Terme di Caracalla
R O M E

RU 7/10

Please quote:
Référence:
Référence citée:

FEB 6 1965

Dear Mr. Black,

I write in reference to the report on developments in the field of land reform which the UN, in cooperation with FAO and other agencies concerned, will submit to the Thirty-Fourth (Summer 1965) Session of the Economic and Social Council. Preparations for this report are far advanced and the time has come for representatives of the UN and the other agencies to meet in order to finalize the draft. I am, therefore, pleased to invite the International Bank for Reconstruction and Development to be represented at the Eighty-Inter-Agency Meeting on Agrarian Reform which will be convened at FAO Headquarters, Rome, on 8 March 1965, at 10 a.m. I suggest the following provisional agenda:

- (1) Finalization of the draft report on developments in the field of agrarian reform to be submitted to the Thirty-Fourth Session of ECOSOC;
- (2) Review of programs of the agencies in the sphere of agrarian reform;
- (3) Other business.

I shall be happy to receive any comments and additions which you may care to suggest concerning this provisional agenda so that I may notify the other participating agencies in advance of the meeting. I should also be glad to be informed of the names of your delegates and to receive any documentation which you think might be helpful to the meeting.

Yours sincerely,


J. R. Sen
Director-General

Mr. Eugene Black
President
International Bank for Reconstruction
and Development
1818 H Street
Washington, D.C.
U.S.A.

Oct Nov 5 1965

February 5, 1962

Mr. John H. G. Pierson
Special Consultant, Department
of Economic and Social Affairs
United Nations
New York, N.Y.

Dear Mr. Pierson:

On behalf of Mr. Demuth, I wish to acknowledge receipt of your letter of 17 January 1962 enclosing a copy of the U.N. draft of the foreword of the inter-agency report on land reform.

We thank you for sending it to us and have no comments to offer on it.

Sincerely yours,

Enrique Lopez-Herrarte
Liaison Officer
Development Services Department

ELH/mct

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP		Date 1/19/62	
NAME		ROOM NO.	
Mr. Aldevereld <i>Aldevereld</i>		304	
Mr. de Wilde		723	
Dr. Lopez-Herrarte		503	
	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On
REMARKS			
<p>Will you please have someone look at the attached document and return it to me with your comments in order that I may make the necessary reply to the U.N.</p> <p><i>Enrique - I have no comments on this forward.</i></p> <p><i>John de W.</i></p>			
From Enrique Lopez-Herrarte			

ROUTING SLIP		Date	
NAME		ROOM NO.	
Mr. Waller			
Mr. Sadove			
Mr. Squire			
	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On
<p>REMARKS</p> <p>The Foreword seems unobjectionable and calls for no comment.</p> <p>The definition of "Land Reform" used is a very wide one and extends far beyond mere property rights; but there's precedent for this and we shouldn't challenge it.</p> <p style="text-align: right;">hjc ii:162</p>			
<p>From</p>			

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

Date

2/13/62

NAME

ROOM NO.

Mr. Reid

Mr. Evenson

400

Dr. Lopez-Herrarte

503

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

Attached are the documents from FAO on Land Reform for the meeting to be held in Rome in March. Will you please be kind enough to advise me, in due course, of your comments and whether anyone will attend. I shall then prepare a reply to FAO.

pen. I discussed this with you and left the papers with you about 10 days ago. We cannot attend; I asked your views re first para or so of draft about IBRD

From

Enrique Lopez-Herrarte

*RHH
2/27*

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. P. J. Squire
DATE: February 2, 1962

FROM: R. Sadove
M.S.

SUBJECT: Draft of the Foreword of the Inter-Agency Land Reform Report

I do not see how anyone can seriously comment on the draft of the foreword to the report without seeing either the report or some of the material that has been collected to date. I would also certainly support Mr. Evans' remarks.



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Please quote:
Référence:
Sírvasse citar:

FA 5/5 RUT

Viale delle Terme di Caracalla
R O M E

Cable Address: FOODAGRI, ROME
Tel. 590011 - 590211 - 599071

FEB. 1 1962

Dear Mr. Iverson,

Further to my letter of 3rd January, 1962, which was in reply to your letter of 19th December, 1961, I wish to inform you that in the section dealing with the United Nations Aid in Land Reform we have included most of the attached notes which you sent to Mr. Pierson as an enclosure to the letter dated 1st December 1961, as well as material taken from your letter and Mr. Eugene R. Black's address to the Board of Governors at Vienna last September.

We have noted that you often refer to projects in which the Bank participated with the terms "in two Latin American countries" or "in an irrigation project in a Far Eastern country" or "two land consolidation projects". In conformity with the other sections of the Report it would be advisable to name the countries concerned or identify the projects involved. I should be grateful, therefore, if you could as a matter of urgency supply that information so that we can incorporate it in the Report.

Yours sincerely,

D. Christodoulou

D. Christodoulou
Land Tenure and Settlement Specialist
Land Tenure and Settlement Branch
Rural Institutions and Services Division

Mr. K.R. Iverson
Assistant Director
Development Services Department
IBRD
Washington 25, D.C.
U.S.A.

1305 150-2 01 3 10

- ack. Feb 27, 1962



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Cable Address: FOODAGRI, ROME
Tel. 590011 - 590211 - 590721

Viale delle Terme di Caracalla
R O M E

FA 5/5 RUT

Please quote:
Référence:
Référence:

FEB 1 1962

Dear Mr. Iverson,

Further to my letter of 3rd January, 1962, which was in reply to your letter of 19th December, 1961, I wish to inform you that in the section dealing with the United Nations Aid in Land Reform we have included most of the attached notes which you sent to Mr. Pierson as an enclosure to the letter dated 1st December 1961, as well as material taken from your letter and Mr. Eugene R. Black's address to the Board of Governors at Vienna last September.

We have noted that you often refer to projects in which the Bank participated with the terms "in two Latin American countries" or "in an irrigation project in a Far Eastern country" or "two land consolidation projects". In conformity with the other sections of the Report it would be advisable to name the countries concerned or identify the projects involved. I should be grateful, therefore, if you could as a matter of urgency supply that information so that we can incorporate it in the Report.

Yours sincerely,

D. Christodoulou

D. Christodoulou
Land Tenure and Settlement Specialist
Land Tenure and Settlement Branch
Rural Institutions and Services Division

Mr. K.R. Iverson
Assistant Director
Development Services Department
IBRD
Washington 25, D.C.
U.S.A.

1962 FEB -9 PM 2:04

RECEIVED
FEB 14 1962

1962 FEB 27 1962

ROUTING SLIP

Date

Feb. 9

NAME

ROOM NO.

Mr. Lopez-Hernandez

503

Action

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

To Handle

RE: S

We have no further
comments on these reports

From

M. Othman

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

Date

NAME

ROOM NO.

M. K. K. K. K.

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information ✓

Signature

Initial

Send On

REMARKS

*Forwarded for info.
Jan 30 by hand delivered
& Tenure Branch FAO
or Remitt to acknowledge*

From

Reid

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP		Date 2/7/62	
NAME		ROOM NO.	
Mr. Reid		400	
Dr. Lopez-Herrarte		503	
	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On
REMARKS			
<p>Will you please return the letters to us so that we can reply to them?</p>			
<p>F m Enrique Lopez-Herrarte</p>			

ORGANISATION DES NATIONS UNIES POUR
L'ALIMENTATION ET L'AGRICULTURE



ORGANIZACION DE LAS NACIONES UNIDAS
PARA LA AGRICULTURA Y LA ALIMENTACION

FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Please quote: FA 5/5 RUt
Référence:
Sírvasse citar:

Viale delle Terme di Caracalla
R O M E

Cable Address: FOODAGRI, ROME
Tel. 590011 - 590211 - 599071

JAN 30 1962

Dear Mr. Demuth,

...

I enclose for your information one copy
of the redrafted chapter on Land Reform and
Agricultural Productivity and Output for the
1962 Report on Land Reform to the ECOSOC.

Yours sincerely,

D. Christodoulou

D. Christodoulou
Land Tenure and Settlement Specialist
Land Tenure and Settlement Branch
Rural Institutions and Services Division

Mr. Richard Demuth
Director
Technical Assistance and Liaison Staff
IBRD
Washington D.C.
U.S.A.

Report on Land Reform to the ECOSOC

ack. Feb. 9, 1962



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Cable Address: FOODAGRI, ROME
Tel.: 580011 - 580211 - 589071

Viale delle Terme di Caracalla
R O M E

Please quote: FA 5/5 RUF
Référence:
Référence:

JAN 30 1962

Dear Mr. Demuth,

I enclose for your information one copy
of the reprinted chapter on Land Reform and
Agricultural Productivity and Output for the
1962 Report on Land Reform to the ECOSOC.

Yours sincerely,

D. Christodoulou

D. Christodoulou
Land Tenure and Settlement Specialist
Land Tenure and Settlement Branch
Rural Institutions and Services Division

Mr. Richard Demuth
Director
Technical Assistance and Liaison Staff
IBRD
Washington D.C.
U.S.A.

1962 FEB -8 PM 3:02

RECEIVED
FEB 10 1962

one for D. Demuth

DECLASSIFIED

MAY 25 2022

WBG ARCHIVES

RESTRICTED

Preliminary draft
for internal review only

1962 ECOSOC REPORT ON LAND REFORM

CHAPTER III

Land Reform and Agricultural Productivity and Output

Text redrafted in the

Land Tenure and Settlement Branch
Rural Institutions and Services Division
FAO, Rome

January, 1962

CHAPTER III

LAND REFORM AND AGRICULTURAL PRODUCTIVITY AND OUTPUT

GENERAL

It is generally assumed, even though usually tacitly, that there is a direct relationship between land reform and agricultural productivity and output. The question raised in some discussions is whether that relationship is a cause-and-effect one. It is often pointed out as evidence in support of such a suggestion that land reform results in higher interest and incentive on the part of the operators, on the one hand, and in a more favourable physical organization of farm land, on the other. Both those factors (psychological-physical) attract a host of others, such as agricultural extension, credit, cooperatives, marketing, irrigation and land development. The results then become cumulative. How much truth is there in these assumptions and the supporting evidence? To what extent can it be said that land reform sparks off the whole process described above? It is this central question that this chapter attempts to consider.

As seen from the Introduction this investigation is a new departure from previous Reports in this series. To obtain material for this investigation a section in the Questionnaire (Part B) asked for data on a number of points such as land development, changes in cropping patterns, technological improvements, productivity studies and cooperative associations. Not all questions were simple but none has elicited adequate replies for a satisfactory treatment of the subject.

There are many reasons for the failure to obtain data of this kind. In most countries collection of data and economic investigations are difficult undertakings, mainly because of inadequate facilities in personnel, absence of machinery for the purpose and lack of responsiveness from peasants. Then the interest is specifically concentrated on land reform areas which are usually newly constituted, often lacking a well-established administrative set-up, and almost invariably evolving rather rapidly.

Short of the creation of an evaluation service recommended in the previous chapter, keeping under observation and study the developments in land reform and assessing their effects and repercussions, no satisfactory coverage can be obtained of this vital sphere in land reform appraisal.

^{chapter}
This/has had perforce to rely on a few ad hoc, often sketchy, studies, general observations, and impressionistic views of what is believed to be taking place and with what results.

The assessment of output can be simple, although it is not always the case in most countries; but the attribution of changes in its volume or content to any particular land reform measure or to land reform as a whole is by no means easy. Changes in techniques and cropping patterns, not to speak of vagaries in the weather and their effects on output, cannot be isolated and apportioned with any semblance of accuracy.

Productivity is in practice an elusive term. Its measurement is a difficult and very specialized job whose results do not always command general agreement among experts. In the sections which follow it will be observed that enhanced productivity is sought in different directions in various countries. For instance, in economically advanced countries

labour is a scarce and costly resource and increased returns to labour are sought, especially in the quest to approximate income parity between agricultural and non-agricultural groups. In some underdeveloped countries labour, albeit unskilled, is relatively abundant, while capital and land are scarce; while in others land may also be abundant but may require costly reclamation. From the conceptual point of view, it must be borne in mind also that increase simultaneously in output and in productivity is not always reconcilable because, in some cases, higher productivity is theoretically ensured by reduction of output which had exceeded the optimum.

The above opening remarks are not intended to urge that this investigation should, for the time being at least, be shelved. Indeed, it is no longer possible to evade. The universal emphasis on land reform and the costly undertakings involved raise the question of results achieved or to be expected. Very few countries have so far set increase in output and productivity as a firm objective of the specific land reform measures, which they undertake, although many assume or hope that such increase will be the outcome of those measures. But all countries eventually come to be concerned with those vital aspects of land reform. In fact, as land reform comes more and more to be thought of as a means towards economic development and increased welfare the problem of its influence on output and productivity can no longer be evaded.

Unless special care is taken there is no guarantee that, at least in its initial stages, either output or productivity will be increased. In that context it is a welcome step that in his report on Development through Food: A Strategy for Surplus Utilization^{1/} the Director-General

^{1/} FAO - Rome, 1961, p. 24.

of FAO recommends that a firm assurance of the availability of food should be authorized by the surplus-owning countries to tide countries over during the transitional period when food supplies may be reduced as a result of land reform measures.

Land reform measures can affect food supplies within the country in many ways:

(a) More commonly as a result of the beneficiaries' having a chance to eat better and thus reducing marketable surpluses:

(b) Through temporarily upsetting the production pattern on account of legal processes, land development works or changes in managerial control;

(c) By means of anti-social action through fear of impending land reform on the part of landowners or in anticipation of land reform by expectant landless groups; a critical period usually intervenes between the announcement of a bill and the implementation of the law of land reform; and

(d) measures often take time to fructify (trees to bear fruit, irrigation works to be completed, or new cultivators to marshall their resources).

The following sections review the existing information on these matters in various countries. As already stated the coverage is by no means full nor can it lay claim to being a representative sample.

EUROPE

United Kingdom

The United Kingdom follows a policy of price guarantees for agricultural produce. The guarantees are primarily based on deficiency payments for the major commodities, i.e. making up any amount by which average market prices fall short of guaranteed prices. This policy, by ensuring a stable and prosperous agriculture makes possible farm equipment and management at high levels; by keeping prices to consumers low and, therefore, demand high, price guarantees encourage a high output of the commodities in demand.

Recent agrarian structural measures expected to have an influence on output and productivity (and described in more detail in the previous chapter) include: the "farm business grants" (under the Small Farmer Scheme) which go to small farmers carrying out approved farm business plans to help them buy stock and equipment; the parallel "field husbandry grants" are contributions to the cost of individual operations (grassland ploughing, ditching, reclamation) under approved plans. The Farm Improvement Scheme provides grants of one-third of the cost of long-term improvement (farm buildings, roads, bridges, electricity).

The threat of dispossession of inefficient farmers has been removed through new provisions in the Agriculture Act in 1958, but no evaluation of the effects of that legislation during its operation appears to have been made. More freedom is given to landlords to obtain possession in the interests of good management and farm rents have been allowed to find the open market level. In this way, it is expected, landlords would have greater incentives to invest in their holdings.

Other Western European Countries

In Western European countries certain common features and trends appear to lead to broadly similar results. In the last 10-12 years the population in agriculture has steadily dropped absolutely (between 1951 and 1959 ranging from 25 to 5% in various countries), while the gross product of agriculture in real terms has increased (between 1951-52 and 1958-59, for instance, the increase ranges from 5 to 30% in the various countries). That reflects a rise in productivity as well as in output.

The agrarian structural measures taken by various countries have been described in the previous Chapter. Those contributing to the increase in productivity and output include:

- a. Land Consolidation. Without any doubt land consolidation is an agrarian structural reform with decisive beneficial results on output and productivity. By providing a more integrated farm it eliminates wasteful use of labour, draught animals and machinery, makes possible a better cropping pattern, improves efficiency in the use of irrigation water, facilitates rational drainage and road systems and allows efficient use of buildings and other overheads. The beneficial effects of land consolidation have never been questioned but their quantitative assessment has not been carried out at all adequately. Some figures are reported from various countries and are quoted in a recent publication.*

* Jacoby, E.H. Land Consolidation in Europe International Institute for Land Reclamation and Improvement, Publication 3/E, Wageningen, 1959, pp. 37-44.

That publication includes also a summary of Sommerauer's pioneering work in Switzerland, which reported increases in output after land consolidation of 20-30%, drops in operating expenses of 10% per ha. and rises in gross output per labour input from 190 to 225, labour input base being 100.

In view of the importance of the subject the Working Party on Consolidation of Holdings of the European Commission on Agriculture of FAO is coordinating work in Europe on the evaluation of agrarian structural reforms.

- b. Farm Enlargement. Enlargement of undersized farms in Western Europe, as in the USA, is relatively easy on account of the absolute drop in the number of active agricultural population and the abandonment of farms. What is needed is a rational absorption into other units. Usually abandoned farms are the small ones, although some relatively large ones in difficult or isolated areas are also given up. In some countries, notably in Sweden, protection against the passing of farms into the hands of non-agricultural, usually wealthy, classes for amateur farming or recreation is ensured through administrative action. Farm enlargement, especially when resulting in an optimum size of holding, contributes to increase in output and certainly to productivity, by increasing the scale of operation and promoting better farm layout.
- c. Resettlement. Resettlement is carried out in large schemes or piecemeal. Resettlement in large schemes takes place when land is reclaimed or irrigated as a result of major works. Such projects exist in many European countries, notable examples

being the Netherlands and Spain. Piecemeal resettlement, i.e. movement of individual farm families from congested areas to the periphery of or even outside the village, takes place in some countries notably Austria and the Federal Republic of Germany. In many cases resettlement leads to decongestion in the old areas by the removal of farm families from the old areas to the new farms. In the old areas thus land consolidation and farm enlargement become possible.

Thus resettlement schemes not only add to productivity and output by farming "new" land under improved conditions, but also by allowing old-established areas to obtain farms with larger sizes and better layouts.

- d. Land Improvement. Neither land consolidation nor farm enlargement by themselves can make for substantial increase in output and especially productivity unless they are accompanied by land development and infra-structural works. In most countries of Europe land consolidation is usually combined with drainage, irrigation, road building, farm planning and farm building, which, although very costly, enable the whole reform to yield substantial results. Some countries, however, notably Germany and Switzerland, in some cases do carry out reallocation of land without land improvement in order to achieve better production conditions pending land improvements, which at the time are not possible for a variety of reasons.
- e. Farm Management. Emphasis on farm management is increasing in Europe and most countries provide an increasingly effective advisory service, not necessarily specifically working for areas

where agrarian structural reforms have taken place. Only some few countries, notably Sweden, are experimenting or considering the creation of an agricultural extension service specializing in land reform areas. In the Netherlands the agricultural extension service takes the initiative and plays a leading part in land consolidation on a basis of unanimity among landowners.

- f. Marketing and Cooperatives. Economic efficiency for newly-created farms, and their viability if they are on the small side, depends largely on the returns to the inputs of farming. The returns depend not only on the volume of output and its total cost but also the price it secures. Therefore, efficient marketing is a basic necessity. Few countries in Western Europe make special provisions for marketing of the produce of newly-created farms, although encouragement to cooperative action is general throughout the region. Thus cooperatives are becoming a key factor not only by providing credit, but also by dealing with the purchasing and selling on behalf of the farmers who have benefited from land reform measures. Cooperative action in some cases extends to some aspects of farm operation. In many countries, and more particularly in the Netherlands and the Federal Republic of Germany, farmers in land consolidation areas combine to instal irrigation facilities for joint use.
- g. Financial arrangements such as grants, loans and credit, which play an important part in advancing output and productivity, are discussed under a separate chapter.

It should be observed that not all land reform measures necessarily contribute to high productivity, if by that is meant return to capital invested, because certain measures are taken on social or cultural grounds; for instance, some countries incur considerable expenses in an effort to maintain farm population in some parts of the country, such as mountainous areas, out of national or other non-economic motives, where purely economic policies alone would indicate resettlement in more favoured regions.

Below special mention is made of Italy because of the specific importance of its land reform measures.

Italy

The land reform program, which affected nearly 800,000 ha. and benefited some 110,000 families as well as public institutions, was not confined to redistribution of land from expropriated large estates, but it has included considerable expenditure on the construction of the necessary infra-structure to enable the beneficiaries to improve their living conditions and also to modernize the production conditions in agriculture. Such works included roads, water supply, land development, electrification and irrigation. Production capital was also made available.

The recent study carried out jointly by FAO and the Italian Government on Land Reform in Italy*, although carried out soon after the initial stages of the land reform, provides some interesting results from its findings. At the time of the study (1955), because the capital position of both the private farms and the assigned farms was approximately the same and the methods of cultivation had not yet changed from the traditional ones, the performance of both kinds of farms was roughly similar, but it was already clear that, with the increased investments enjoyed by the assigned farms, the latter were bound to forge ahead and improve their efficiency markedly.

* Barbero, G. Land Reform in Italy: Achievements and Prospectives, FAO, Rome 1961

The study brought out sharp regional differences between the North and the South of Italy and the assigned farms, as regards saleable output per worker, showed a marked decrease southwards. For the Calabrian farms it was estimated that, in the circumstances of the time, the average holding assigned would only provide a bare subsistence for the average farm family. It was further calculated that the optimum combination of capital and labour would be obtained if the average size of reform farms were to be raised to at least 20 ha. (the assigned poderi, i.e. complete, farms averaged 9 ha. for the whole of Italy). It was noted, however, that family farms outside the reform of a size exceeding 20 ha. tended to show a down-trend to levels of subsistence and to average productivity, as a result of primitive organization and equipment. What is more important, the mere subsistence level ensured by the new holding raised also the problem of repayment of credits and loans lent for new investment, since it allows of no surplus for saving which can be used for that purpose.

Those lessons have been noted in Italy. The smallness of the holding was the result of the socio-economic conditions of the time and of the philosophy guiding the reform. In order to improve the economic performance of the holdings created, new (especially commercial) crops were introduced, livestock production was increased, fertilizer use was stepped up and new techniques were introduced. Research in stations, specially established within the reform areas, promises to help in the near future.

Furthermore, reliance has been placed on cooperative action, - the formation of cooperative societies by beneficiaries being a statutory requirement. Cooperatives (numbering 886) provide various services, supply seeds, fertilizers, agricultural tools and implements; they run tractor stations, stores and shops; and they market fruits, vegetables and dairy produce; they process agricultural products (wine-making, olive pressing, cheese production).

Special courses for beneficiaries and their families have been held on various aspects of farming and living on the farm.

Notable increases in production have been noted. Available figures comparing production between 1953 and 1959 present the following picture. The total gross saleable production from the whole agricultural area of the reform was estimated to be Lit. 67,000 million in 1959 as compared with Lit. 22,000 million in 1953. Per ha. increase of average gross saleable production was in monetary terms 73% over the same period or 174% over the years preceding the reform. Per unit production increases in detail were as follows: from grass cultivation 30%; from tree cultivation 261%; from live-stock breeding 295% and from horticultural and industrial crops 147%. Further increases are expected when the various measures taken fructify further. For instance, when the 140 million trees and other plants become of full-bearing age.

It is interesting to note from the table below how the cropping or production pattern has been altered in the whole reform area.

Percentage Contribution of Various Crops or Livestock to Gross Saleable Production (based on value).		
	<u>1953</u>	<u>1959</u>
Grazing and Cultivated Grasses	83.0	62.4
Trees	5.9	12.3
Livestock Breeding	11.1	25.3
Horticultural and Industrial Crops	19.4	27.7

Eastern European Countries

Nearly all the socialist countries of Europe went through the same first two stages of land reforms: (a) the distribution of expropriated large estates to small or landless farmers and (b) the drive towards collectivization. The third phase has varied with countries; some like Yugoslavia and Poland have allowed dissolution of collectives and returned to a predominantly small family farm agrarian pattern, while others, like the USSR, Bulgaria, Rumania and Czechoslovakia, have embarked on the amalgamation of collective or cooperative farms into large enterprises of 2,000-4,000 ha.

The first phase, that of distribution of expropriated estates, led to an increase in incentive among cultivators with a new status and to increased output, but came up against the disadvantages of small farms, badly equipped, managed by new cultivators usually with outdated techniques, and often with little experience. The drive towards cooperative farming may have been motivated by ideology but as regards output and productivity that form of farm organization would at least overcome some of the difficulties of small-scale operation. Farms could be more easily equipped with modern machinery and be given trained scientists and educated farm managers. In most cases, the experiment was wrecked by forcing the pace of the process.

The fact remains that even where relaxation permitted the return to small family farming the authorities are still hoping and planning to overcome disadvantages through cooperative or group action. In its current five-year plan, Yugoslavia lays great stress on the need to increase agricultural production, and to that end great hopes are pinned on the

increased use and the enlargement of the socialized sector. In order to achieve that, investments, research, modern equipment and trained personnel, are made available to the socialized sector or through that sector to the private sector. The private sector will increasingly be encouraged to associate itself with, or make ever-increasing use of, the services of the socialized sector.

Poland relies on the socialized sector also to modernize its agriculture and improve its productivity. The "Agricultural Circles", which are described in detail in the previous chapter, are both a gateway to that sector and a variant of group action.

The belief in the efficacy of the socialized sector is supported in those countries by agricultural economic findings from research by Agricultural Economic Research institutions.

In a study by a Polish authority some comparative figures were produced recently showing the performance of cooperative farms and private holdings under similar conditions. The general picture emerging is briefly as follows: Production per ha. between the cooperative and the private "sectors" in the area investigated was of a ratio 7:3; the detailed figures indicate that the cooperatives were leading in production per ha. in such lines as grain, potatoes, industrial and forage crops, but were behind the private farms in vegetable and livestock production.

Yugoslavia also reports yields on cooperative farms far superior to those of the private sector and also a reduction in production costs. The figures available do not, however, permit a valid opinion as to the comparability of conditions. Yugoslav data deal also with the influence of the cooperative sector on the privately managed farms, the latter never

exceeding the area of 10 ha. which is the statutory ceiling to private holdings. The cooperatives offer services, technical facilities, joint operation and production and marketing. Figures quoted indicate yields and incomes from cooperating private farms above the average shown by non-cooperating private farms. Higher incomes are also partly accounted for by lower marketing costs and better prices secured for their produce.

For Bulgaria figures are available* indicating significant rises in yields both for crops and livestock over pre-war figures and also in the productivity of labour. Increases in output have also been ensured through bringing land under cultivation and through extensive irrigation schemes, but also through intensification of cropping and large new orchard and vine plantings.

The same source gives also figures for Rumania.* The gross output of plant and animal production during the period 1956-1959 exceeded the 1951-1953 level by 20% but less than half of that rate over pre-war. State and collective farms, especially the former, as a result of their enjoyment of priority in investment allocations and the distribution of current inputs have developed a marked advantage in the production of such bulk products as wheat and maize. Collective farms have shown the best results in sugarbeet production in contrast to State and private farms which show results which are below the national average.

* Zahir Ahmed Agrarian Policies in Bulgaria and Rumania Report prepared for the Department of Economic and Social Affairs, United Nations, 1961, p. 18. See also pp. 26-27 for figures on Rumania.

The faith in the efficacy of the socialized sector, in so far as the decision was taken on technical-economic grounds, has been shown also by amalgamation of cooperative farms to form even larger units of operation. An economic authority from the USSR, explaining the process as it occurred in his country, remarked that as industry began to produce more and more tractors and other agricultural implements it became evident that it was impossible to use a great number of machines most efficiently if the cultivated area was limited (at that time the collective farms had on an average 1,600 ha. of land each). The amalgamation has led to the formation of "large-scale and highly productive farms with a centralized management" of an average size of 5,400 ha. The amalgamation has led also to the creation of multi-purpose brigades, which are in charge of various branches and thus "it became possible to cut down the administrative machinery in the collective farms".

Many factors are suggested as conducing to increase in productivity and output under conditions of cooperative or collective farming or any such group activity generally included under the term socialized sector.

The economies of large scale operation need no more elaboration although many authorities in economics doubt the existence in practice of genuine economies on such a scale in agriculture. The favours bestowed on such farms in the question of investment have also been referred to already. Research and the availability of trained personnel are also touched upon above. In this connection it is worth mentioning that in the USSR it has been stated that multipurpose brigades are headed as a rule by an agricultural specialist. In Bulgaria in 1960 the cooperative farms employed 2,882 agronomists, 590 zoo-technicians and 249 veterinarians.

The fruits of research are passed on to practising farmers. It is claimed that under that system the adoption of new techniques and methods is much faster than in an individualistic society where indirect techniques of persuasion and creation of interest are relatively slow in producing results.

Finally, the role of state farms in bringing new land under cultivation through deployment of heavy machinery and specialized equipment and under the control of specialized personnel should be noted. The same farms act as pioneers in new or specialized crops and throw their weight behind state policy in its drive for production for special purposes, be that production for urban needs or encouragement of livestock production items or providing selected seeds or breeds.

ASIA AND THE FAR EAST

Japan

Land reform in Japan is generally agreed to have contributed considerably to increase of output and productivity, although how much it is not easy to say.

Official figures give index numbers of agricultural production for the period 1950-1958. With the average figures for the period 1933-35 taken as 100 the 1958 net agricultural production index is given as 129.8. For the same year (and on the same basis) the index for crops was 136.7 and for livestock 279.6. (Incidentally for sericulture the figure was 34.4).

With the figures for the period 1950-52 taken as 100 the agricultural productivity index given for 1958 was 135.2 if the population engaged in agriculture was considered, or 142.0 if working hours in agriculture were taken into consideration instead.

Officially these improvements have been attributed to the "integrated results of the achievements of land reform" and the supporting agricultural policies and measures.

Large-scale land development works have improved irrigation and drainage, thus often making double-cropping possible where it did not exist and overcoming the risks from occasional drought; they have also made ploughing easier and more effective. Considerable sums have been made available for the purpose in the form of grants from the Government.

A marked change in the cropping pattern has been brought about, characterized also by a marked increase in fruit. Livestock and especially dairy production have shown unprecedented increases.

Considerable credit for all this can legitimately be given to the land reform which contributed in several ways. It has removed some of the positive restraints to increased production such as landlords' injunctions against the use of fertilizer and their reluctance to invest in land improvement. It has provided the new owner-cultivator brought about by land reform with greater incentives to carry out land improvements and to conserve the soil and its fertility also to improve production methods. The reduction in farm rents and the enhanced security of tenure have increased both the ability of and incentive to tenants to invest in production.

The Ministry of Agriculture's Farm Household Economy Survey of 1953 revealed that expenditure on production costs (excluding labour) per unit area in 1953 was in real terms 46% higher than in 1937. It is significant that improvement in rice yields has been greatest in the northern districts where the amount of land transferred during the land reform was greatest.

Another factor to be mentioned is the psychological one in that owner-cultivators responded to calls for improved production methods and furthermore took full advantage of government subsidies and loans and other measures such as fixing prices for fertilizers and feeding stuffs.

India

There are some interesting studies covering particular cases or states made in India on the effects of land reform measures. For instance, a study made in the case of Madras State has indicated that largely as a result of tenancy and other land reform measures the following effects have been observed:

- a. Fewer but better animals have been used and increased use has been made of modern devices and equipment such as tractors, oil engines and electric pumps.
- b. A marked increase in fertilizer use has taken place.
- c. There has been a general tendency for production to go up, especially in the case of dry crops and cotton (the latter showing in 1957-59 an increase of 15% over 1955-57). This larger increase in the dry crop production may be attributed to the operation of the tenancy law which prescribes considerably lower proportions of the produce payable to the landowner as compared to the latter ($1/5$ as compared with $2/5$ or even $3/5$).

It is difficult to attribute all these improvements to land reforms, but there are strong grounds for believing that land reforms (especially security of tenure and regulation of rentals and agricultural wages) have supported and enhanced some of the parallel measures taken along with land reforms. The increase in credit made available and the Government drive for higher production are cases in point.

On the other hand the study concerning the working of the Bombay Tenancy Act of 1948 brings out an entirely different picture. The results which are summarized below had reflected some essential weaknesses in the Act which were later recognized and thus the Act was amended in 1953.

Of direct interest to the theme of this chapter are the references to investment in the holdings. Some background information should, however, prove of help.

Between 1948-49 and 1952-53, the period to which the study referred, the tenant cultivated area fell from 30% to 26.8% of the total cultivable area. Of the tenant-cultivated area 93.3% continued to be in the possession of the original owners and only 3.2% was acquired by the tenants. Of the area referred to above as continued in the possession of the original owners, about one-half was also still in the hands of the original tenants; 29.6% was resumed by the owners, and 13.9% had new tenants.

One of the objects of the Act was to promote full and efficient use of the land, expected to result from the incentive offered by protection to the tenants to take care of the land. The study was directed towards examination of the difference between the owner-cultivated and the tenant-cultivated lands in respect of investment in land improvements. The assumption was that if the Act had indeed given the tenant a real sense of security such a difference should gradually narrow down.

A detailed analysis has brought out the following features: Expenditure on land improvement increased considerably over the period in all regions. The scale of expenditure on improvement of owner-cultivated lands was very much higher than on the tenant-cultivated lands even after the expenditure on them by both the landlords and the tenants is taken into account. Broadly speaking the per acre expenditure on leased-out lands by landowners was only about one-tenth and the per acre expenditure on the lands leased by the tenants was only about one-fourth (i.e. the two combined about one-third) when compared with the expenditure on the owner-cultivated lands.

There were many reasons to which the failure of the difference in investment to narrow down might be attributed. First there was in most cases no real sense of security among the tenants. In some cases the confidence of the landlords in the future of their lands had also been shaken. In addition there had been cases of shortage of funds and lack of credit among tenants. It is possible also that tenant-cultivated lands were inferior to those cultivated by their owners, so that those lands either did not lend themselves easily to improvements (such as irrigation, reclamation, tree-planting) or would not sufficiently reward such investments.

The above description refers to the broad picture but marked difference existed from region to region.

The two case studies are mentioned only as illustrations. They by no means represent the situation in India, and the contrasting picture presented by the studies should help to dispel any such notion. As the official report remarks "measures of land reform affect the entire country in some form or other and the various programmes for agricultural development undertaken in accordance with the 5-year plans are also designed to improve agricultural technique and productivity in the country as a whole and are not restricted to any specific areas".

NEAR EAST

United Arab Republic

Land Reform in the United Arab Republic has been planned consciously not only to avoid a decline in production through redistribution of landed property but, what is more, also with the deliberate aim to increase output and productivity.

Before the land of an expropriated estate was subdivided a survey was made to ascertain the gross income per acre, the number of persons entitled to benefit, and their resources, if any, as owners and tenants of land. On the basis of the findings of the survey the size of the holding granted was determined by calculation of the area needed to support a family.

Redistribution on this basis put before the beneficiaries an attainable goal, namely through their exertions to secure their family's living. That in itself proved quite an incentive towards greater output and higher productivity. But beneficiaries were also aided by the supervised cooperatives created pari passu with the redistribution. As described in the previous chapter, these cooperatives provided credit, farm requisites, various services including marketing, and in addition, an important point, they undertook to organize cultivation in the most efficient manner. This emphasis on productivity has been given practical expression in various ways. Besides the provision of credit and services, already mentioned, systematic attention has been paid to improved agromomic techniques, plant protection and especially to irrigation. Farm management before the reform was largely shared between tenants and the

landowner or his agent. In the new set-up the cooperatives stepped in to bridge the gap in management. Thus supervision was technical as well as financial. For instance, crop rotations and methods of farming were to be decided by officials in conjunction with elected representatives of the cooperative members, but cultivation remained the responsibility of the farmer himself. A system of block farming is followed and some major operations may be carried out jointly.

A farmer receives an advance pending sale of his crop; when the crop is sold a farmer is paid the proceeds from his crop after the advance and his other liabilities and charges are deducted. There is a direct relation between his efforts and his income although he farms within a prescribed framework.

There is some quantitative information about production increase only for cotton and sugarcane. Thus, between 1952 and 1959 figures from supervised cooperatives in land reform areas show that in 16 districts the yield of cotton per feddan rose by 45% as against 15% for Egypt generally. Sugarcane figures from 3 land reform areas show an increase in yield of 15% over the same period. In assessing such increases it should be borne in mind that they refer to a few districts only and to a specific year, but on the other hand also that in the UAR requisitioned land was the residuary portion of the estate after the landowner had sold parts of it during the first year after the law was enacted and after retaining for himself the allowable portion. Thus, the requisitioned land was often the least fertile part of the estate. Land leased out to middlemen to sublet it to tenants was in many cases badly run down. Even in those cases where the estate was well managed it was sometimes found to be underdeveloped because the owner or manager lacked the means.

All this necessitated large land development works which were carried out by the Ministry of Land Reform. These included irrigation canals, artesian wells, drainage works and road building. The expenses were borne by the supervised cooperatives. By the beginning of 1961 some £E 2 million had been spent for an area of 249,000 feddans. Furthermore, in the 5-year plan beginning in 1960-61 an annual investment of £E 1.5 million (US \$3.5 million) have been allocated for land improvement and for the purposes of raising production in the distributed areas.

Another important step towards increase in output and productivity, although in its initial stages, is the agreement carried out in areas outside the reform to rationalize the rotation system and exchange produce in voluntary consolidation of farm operations described in the previous chapter. The supervised cooperatives play a key role in this also. In Nawag where it was first applied the increase in productivity had been spectacular. Rise in yields far above the national average were recorded in cotton and maize. Similar results were observed in other villages where the system was extended.

These striking results are the outcome of many factors: the rational rotation system, reduction of costs and improvement of the quality of the work through certain joint operations, a marked increase in the use of fertilizers and other chemicals, and the creation of opportunities for the cooperatives to exercise a beneficial influence on the managerial side of farming as well as on the investment activities.

Iran

The Crown Lands distribution program in Iran, begun in 1952, has run long enough for some experience to have been gathered concerning its operation.

Under this program by April 1961 some 250,000 ha. had been distributed. Provision was made from the beginning for the foundation of the Bank Omran, which not only took charge of the distribution of the lands but also undertook the financing of farm improvements and operations carried out by the beneficiaries. The Bank was further given the responsibility to create cooperative societies.

The Bank, with the help of the Technical Administration, appoints agricultural extension personnel to help improve agricultural methods, and encourages the beneficiaries to use credits efficiently and productively and to participate in cooperative and social activities.

The cooperatives, which are managed by the villagers themselves, undertake the marketing of the beneficiaries' produce and supply them with farm and family requisites.

Assessing the operation of the program in the Northern Area (especially in Bandar-Shah, Gorgan, Gonbad-e-Ghabous) observers have remarked on the difficulty of making good agriculturists out of the predominantly nomadic Turkomen. However, certain lessons have already emerged. Units are small (some only 3 ha. each, but most of them 7), much too small especially for mechanical operation. Units of 25 ha. on the average should be the size to be aimed at. It is expected that introduction of livestock will help reduce underemployment and abolish the fallow years through the use of grasses and legumes, which in their turn will raise both output and soil fertility. Successful implementation of such a system is expected to double present farm incomes. Already peasants' incomes over the years 1955-1960 were reported to have doubled

(or even increased four times in some cases) but financial and technical assistance was exceptionally high as compared with other areas of the country. More modest increases are expected to have occurred in other parts of the country.

Israel

In Israel land reform has taken the form of settling immigrants from abroad. A recent FAO report* comments on the progress made during the years 1955-1959 in increasing agricultural production which is considered an impressive demonstration of the fact that the agricultural sector is well equipped to handle successfully such problems of agro-technique or of husbandry as may arise. But production costs are high and these, the report adds, are the result of land settlement and colonization.

A prominent feature of Israel today is the great diversity of settlement patterns and community structures, but their essential elements are the following:

1. The land is nationally owned and leased to the operators on a long-term basis, which is automatically extended to the heirs.
2. Each operator has access to resources which enable him through his family labour to make a living for the family.
3. An effort is made to give him income parity with his counterparts in urban areas, a goal which appears closer to attainment in Israel than in most industrialized countries.

* Black, A.G. Report to the Government of Israel on National Plans and Programs and Agricultural Policy. Report No. 1032. FAO/59/2/929, Rome 1959

The Kibbutz and the Moshav are the two outstanding settlement types of Israel. The Kibbutz is a collective settlement and all work is carried out collectively, while the provisions for its members are also on a collective basis. The Moshav is a cooperative of small farms. Each family lives in its own house, cultivates its own holding and carries the managerial decisions. Such small holdings composing a Moshav usually number 70-80. The cooperative has only a limited control on the production enterprise. It provides, however, all the municipal and economic services for its members for which taxes are levied on the farmers. Similarly all agricultural requisites (water, fertilizers, seed, feeding stuffs etc.) are provided for the cooperative on credit recoverable from incoming returns.

A prominent characteristic of the mass immigration to Israel since 1948 is the preference shown by the immigrant for the Moshav, so much so that more than 75% of the settlements established since 1948 have been Moshavim.

In an official report, setting out the relative merits of the Kibbutz as proved from experience in Israel the following have been listed.

The large-scale administered farm, which a Kibbutz actually is, has the following advantages:

1. The farm manager and the labour force can effectively specialize in a limited number of branches on a relatively large scale of operation, thus raising productivity.
2. Such large farms can choose production branches which make full use of locational advantages (optimum use of land and water, climate and other such conditions).

3. Maximum effective mechanization of farm operation.
4. Mechanization raises labour productivity, improves production quality and introduces better grading and marketing methods.
5. Farm improvement can be rationally applied in accordance with advancing technology and without the obstacles of fragmentation and excessive population pressure. (Although fragmentation within the leasehold system prevalent in Israel is not a serious threat, the threat is real and serious in the case of owned farms in other countries).

The family farm system is held, however, to possess also certain distinct features worth retaining such as traditional outlook of family life, more flexibility in the use of labour, more incentive to put up with long hours, and the advantages enjoyed in cases of jobs which are necessarily on a small scale.

Comparative analysis of the Kibbutz and the Moshav on the basis of two case studies carried out earlier (1958) in Israel yielded the following results: Both types have worked profitably under the very favourable conditions of agriculture obtaining in Israel in recent years. There was no inherent economic advantage or disadvantage to be found in either type. Very large variations of profitability were observed among the individual farms of the moshav type which was taken to point out the fact that a very good and able farmer can make a much larger profit than the level achieved by the kibbutz farm in general. However, given the variations among the moshav farms, mentioned above, the two types (moshav and kibbutz) on the average showed equal profitability.

The social provisions in the case of the Kibbutz were far superior and at a lower cost than would be possible outside its organization. The cost of living also was lower within the Kibbutz than in the Moshav.

Israel has of late attempted to combine features of the large scale operation with those of family farm in a planned way in new settlements, especially in the Lachish region. The main features of the new settlements are the following:

1. Individual plots have been parcellated within greater land blocks in order to adapt them to large scale mechanization, thus a system of individual tenure, combined with the possibility of cooperative action, has been created. That applies to other facilities such as sprinkler irrigation network and the road system.

2. This individual tenure has made flexibility possible and permitted the introduction of specialized systems of agriculture suited to each family's circumstances.

3. The large block cultivation system provides the justification for centralized economic services embracing a number of villages; for instance, tractor services, aerial spraying and movement of industrial crops can be organized centrally.

4. From the social point of view central educational, health, recreational, cultural and shopping services of a high standard have proved feasible.

5. In order to diversify the economy and life of the area concerned this large grouping made possible the creation of suitable industries to meet the needs of agriculture. This has broadened the economic base and diversified the social groups.

Although it is too soon to evaluate the results, preliminary observations suggest that a successful adjustment to farming has taken place, progressive agricultural extension methods have produced satisfactory results, and the settlers have taken a keen interest in new crops and techniques and some of them have already invested their savings in agricultural equipment.

Figures of production between 1956-60 covering such crops as tomatoes, cucumbers, cotton groundnuts and potatoes indicate an increase in yield varying between 50 and 80% depending on the crop. Incomes have increased considerably. Centralization of the grading and packing facilities has improved the quality of produce sent to the market and reduced costs considerably.

AFRICA

Kenya

Land consolidation areas in Kenya constitute an outstanding example from Africa South of the Sahara where striking rises in output and productivity have been recorded as a result of land reform. It is reported that in 1960 the gross revenue of African farmers from marketed crops and livestock was 15% higher than in 1959. That cannot be attributed wholly or even largely to land consolidation but by all accounts land consolidation has made a considerable impact felt outside the land consolidation areas, and has affected nearly 200,000 landowners.

Mistakes have been made, especially in Fort Hall, but by and large the results have been, from the production point of view, quite striking. These have come about not only from the concentration of the scattered fragments (which incidentally averaged 8) thus giving a better farm for management but also from the securing by the farmer of a title to the holding, an acquisition which not only provides the incentive for him to farm better and to develop the land but also forms a basis for borrowing for improvement of the farm and its operation.

Land consolidation was combined with soil conservation and other land development measures and also with efficient farm layout and an agricultural plan adapted to each holding and its operator. Loans for development are also given from African District Councils or Government Development funds and these loans are repayable over 5 years at $4\frac{1}{2}\%$ annual interest.

The holdings resulting from land consolidation include land on the slope as well as on level ground and a variety of crops are thus possible which may include such items as bananas, maize, coffee and even asparagus.

The Sudan

In the Sudan an outstanding socio-economic experiment of almost world significance was carried out in the Gezira Scheme. For the purposes of this chapter only those features should be noted which have a bearing on output and productivity.

The scheme had two initial natural advantages: the site of the dam and the good soil so near to the abundant source of water. In view of what crop was later chosen, namely cotton, the favourable climate was also another advantage.

By concentration of resources on one really large and promising scheme dividends were paid on a scale which enabled it in the end to play a decisive role in the country's economy.

The scheme itself was started as a kind of partnership with three parties interested - the Government, who had borrowed £15,000,000 for the major capital structures; a commercial company - the Syndicate - who undertook to find the money for the rest of the jobs and to manage the undertaking; and the tenants who would do all the farm operations on the standard units.

The divisible profits were apportioned as follows: 40% went to the Government; 20% to the Syndicate; and 40% to the tenants. That arrangement applied to cotton only. In addition each tenant got an irrigated food and fodder crop which was entirely his own property without payment of water rate.

In 1950 the Syndicate was replaced by the Gozira Board which is appointed by the Government. On the Board sits also a representative of the Financial Secretary. Otherwise the essential features of the Scheme remain to this day.

The partners were keen on making profit and thus shared a joint incentive to production. The fact that capital from a private enterprise was being used placed the emphasis on a business outlook. The same private enterprise provided the management and made efforts towards efficiency which embraced the tenants' performance also. The technical success of the Scheme is traceable in large measure to the experienced and skilled guidance carried to the cultivators by the field staff. The joint or planned action in deep ploughing, use of fertilizers and other chemicals and careful irrigation on a large scale have ensured high production and economy in operation.

The development approach followed was one of pilot projects first and application and expansion after experience had been gained. This cautious approach and preparatory steps ensured a relatively slow but steady progress not least of which has been the acclimatization of the cultivators to the new production circumstances.

This mixed system of: control from above, enforced cooperation, and a limited field of private initiative aimed at getting the best of various worlds, namely of: planned agriculture in a system of control and direct help; cooperative approach to supplies and services and organized marketing; delegation of a fair amount of responsibility on the holding to its tenant-manager, who was in a position to see his stake in success and his interest in higher production. Furthermore, credit was linked to specific tasks and it made it purposeful and related to a man's ability and interest. It became a useful instrument towards higher productivity.

The delegation of responsibility and the allowance for a fair amount of free play of individual choice made for some flexibility which told especially in periods of adversity. Whether this frankly paternalistic system will evolve towards a new one which allows more initiative to the cultivators, perhaps through autonomous cooperative organizations, remains to be seen. In fact some of the protagonists have intended it to be ultimately a Cultivator's Cooperative.

Tanganyika

A scheme with some features reminiscent of the Gezira has in recent years been established in another African country.

In the former "Groundnut" areas of Tanganyika (namely in Wachingwea, Kongwa and Urambo) the Tanganyika Agricultural Corporation operates farm settlement schemes. Some data are available which throw light on the performance of the project in Wachingwea during its first five years of operation (1953-1957).

The African settlers were 100 and operated over an area of 1,000 ha. divided into two Farming Units, each having a European Manager. Holdings averaged 5-6 ha. each. With the aid of an African Agricultural Assistant, the Manager supervised the carrying out of mechanical operations on the farmers' holdings and directed these farmers in the timing and methods to be employed in the cultivation of their crops. The overall management of the scheme was the responsibility of a small committee of Europeans under the chairmanship of the General Manager of the area.

The cropping pattern of the locality (sorghum and groundnuts) was maintained but there was need for a more even spread of labour over a wider range crops and to that end increasing importance was given to soya.

The scheme provided for a system of land use in which mechanized assistance could be given on a good and tried husbandry basis. Profits to the hard-working and successful farmer were reported to be greatly in excess of what could be earned without such mechanical help. In fact a farmer is reported to have a stock of food for the following year plus Shs. 500 or more in cash (based on the 1955-56 results) as compared with the estimated maximum of Shs. 160-200 cash incomes per year that Africans outside the scheme can achieve.

The Corporation provided the following services: land and its equipment, administration and research, mechanical services, stores and crop marketing. Cooperative disposal of the crops was being encouraged. Naturally the degree of responsibility and area of decision-making made available to the tenants will be increasingly important as years go by and in the long-run will decide the success of the scheme.

NORTH AMERICA

United States of America

The agrarian changes in the USA, as explained in the previous chapter, are the result of private action. The tremendous increase in output is the outcome of economic growth, technological advance and price support. It illustrates the factors operating in an economy where quasi-free enterprise prevails in a developed country with abundant resources. Thus the chronic tendency to surplus production, the net migration out of agriculture, the tendency of tenancy or sharecropping rates to fall, the trends towards larger and more mechanized holdings and the appearance of the contract system and vertical integration illustrate vividly the demands which economic efficiency or higher productivity make on the agrarian structure in such a setting.

It should be observed that not all trends are towards the same direction. For instance, the drop in tenancy and sharecropping rates tend to increase incentives by giving the operator more opportunity to take independent or longer-term decisions. On the other hand, contract farming and vertical integration tend to limit the farmers' area of decision-making although it does enlarge the area of operation (at least at the processing and distribution ends of the process).

That not everything works without friction or lag is seen by the existence of large numbers of small and low-income farms, particularly in parts of the cotton area of the South-East. Those farmers are helped through easier loans from the Farmers' Home Administration and thus enabled to purchase equipment and livestock and meet other current farming needs, to buy or develop their farms, and to build or repair farm buildings. Research, extension and education are also specifically directed towards helping these farmers to overcome their disabilities, and improve their productivity.

LATIN AMERICA

Bolivia

Bolivia experienced a number of difficulties in the early years of its land reform program which are recounted here not because they are unique but rather as an illustration. Many other countries have had trouble with various practices taking place in the period between the enactment of the law - or even the rumour about a possible law - and its implementation.

In Bolivia as soon as the reform was announced by the Revolutionary Government in 1952 many peasants anticipating all legal proceedings (the law was enacted in August 1953) in their anxiety to obtain rights to landownership as promised in the announcement, rushed to occupy the lands of the large estates, while some were abandoned by their owners themselves. One of the results was that lands remained practically uncultivated for two years during a period of uncertainty and confusion. Production declined sharply in consequence.

There were, however, other factors which depressed production as seen from the fact that even after conditions of normalcy had been restored in 1956 the beneficiaries found themselves without resources for farm operation which prior to the change-over had been provided by the landlords or their administrators. Even in later years those among the beneficiaries who had not had secured a title to their lands were not qualified to obtain credit but the situation eased with the issue of advance certificates which could be used to prove that the bearer would be receiving a land title in due course.

Later developments in the operation of land reform were more successful as indicated by the fact that agricultural production in 1958 increased approximately 20% as compared with the 1954 production level; the total output of some crops, such as maize, wheat, yucca, sugarcane and coffee, increased even more. Those increases represent the change in output in all agricultural land including areas affected by land reform. It must be noted also that the expansion in land settlement schemes in the Province of Santa Cruz, which added about 71,000 hectares to the area under cultivation, has undoubtedly contributed to the above-mentioned increase in agricultural output.

Colombia

The legislation on the economic use of the land in Colombia (described in the previous chapter) aims directly at ensuring a more intensive use of the land for the purpose of increasing output and productivity. The situation really warranted drastic action and the IBRD mission in 1956 suggested taxation on the basis of optimum potential (rather than actual) use in order to encourage a more efficient land use pattern.

The law of 1957 required that a minimum proportion of an estate exceeding 50 ha. should be cultivated (instead of leaving it to extensive grazing as hitherto) otherwise the estate would be liable to a progressive land tax. That law has not had much chance to operate efficiently, as explained in the previous chapter, and therefore the efficacy of legislation of that kind has not been tested.

It was apparent to many observers that Colombian conditions called for a more direct and purposeful way to higher output and productivity through land reform. The Social Agrarian Reform Law which was enacted

towards the end of 1961, when implemented, will go a long way towards meeting those requirements.

In it emphasis has been placed on the necessity to solve the problem of the uneconomic exploitation of large estates, to carry out the consolidation of fragmented holdings, to improve the use of underutilized lands and to provide technical and social services for the beneficiaries under this Law.

Cuba

It has been suggested by a competent and experienced observer of the Cuban land reform scene that one of its great virtues has been to make from the very beginning "agrarian reform and increased production synonymous".

To that end land affected by reform has often been cleared, drained or reforested and new land brought under cultivation. There has been a shift away from sugarcane cultivation and towards the production of grains, pulses, roots, fodder, fibres and oilseeds. That is the result of declaring crops destined for the home market as of high priority. High priority has been given also to fruit for export as well as to tobacco and other export crops. Livestock products are encouraged in order to provision the home market although it is also intended to produce beef for export. The production pattern is planned with these ends in view: diversification, increased employment, better land use, saving of foreign exchange and industrialization.

Production is reported to have increased to such an extent that, although consumption has markedly increased, market deliveries have not only not been adversely affected but have even increased. The estimated value

of production in monetary terms is given in 1961 as gone up by 51% over that of 1958 - the year preceding the reform, although how much that is in real terms is not known precisely although some figures put it as high as 43%. Figures for cattle and its products are lower but equally impressive, being 21%.

The increase is attributed to many factors which include new land or improved land, better techniques, popular participation, increased employment and Government aid - all linked with land reform. Reliable observers testify to a spirit of hard work and a desire to alter the pre-revolutionary situation.

The revolutionary Government has many means at its disposal to alter the production pattern and increase its output. Besides the considerable means at its disposal for influencing decisions and outlook and also massive aid there is its direct management of People's Farms and its influence on cooperative organizations.

Some distinct, relevant features of the reform should be noted. The reform expropriated holdings which, although not in excess of the legal maximum, were in a state of neglect. Their better use was bound to improve output. The retention of sugarcane estates to be run as large units cooperatively at least saved them from fragmentation and operation as small holdings. The People's Farms are large units producing items considered necessary for the country's economy or welfare (such as balanced diet). Both the Cooperative Farms and the People's Farms have been favoured with considerable investment and modern equipment. Finally tractor stations and other such services help all cultivators towards improved production.

SUMMING UP

It has been noticeable from the above review that solid facts bearing on this subject are hard to come by. Furthermore close inter-relationships between land reform measures and output and productivity have not yet been fully established. Only evaluation on the lines suggested at the end of the previous chapter can eventually produce facts, figures and other data adequate for rigorous scientific analysis which will permit valid inter-relationships and conclusions to be established.

However the effort seems justified at least on this score: it has high-lighted the problems involved and the answers to be sought. It has emphasized the lacunae in our knowledge and the shaky foundations on which many assumptions and hopes have been repeatedly based.

That the problems are vital needs no emphasis. Output and productivity are at the heart of matters of welfare and development both of which today dominate the efforts of governments and international agencies. As already stressed at the beginning of the chapter, the vital stakes involved are not only relatively enormous capital sums but also high human hopes and expectations and no waste in either can be viewed with equanimity. The sure way to success is systematic study, analysis and (only then) prescription. Otherwise it is all inference, however axiomatic it may appear on the face of it.

However, there can be no doubt (at least on first principles) that certain measures are bound to have beneficial effects on output and productivity. The great diversity of measures described and their tentative effects give an idea as to the venues open to nations or groups. It must be borne in mind, however, that in the discussion

above the emphasis has been on output and productivity and the effects of land reform were judged from that point of view alone. As a result of measures taken for the purpose of securing higher output and productivity it is possible that adverse repercussions may have been created in the economy or society at least outside the reform areas or groups. For instance, farm enlargement may lead to displacement of rural population, who may be unable to secure alternative sources of living; land consolidation and secure title may result in eviction of squatting families making use of unattended land, as was the case in Kenya. All this points to the simple truth that land reform measures should be considered as an integrated whole and in their relationships to other measures taken or conditions obtaining in the economy and society. Hence the importance of the chapters of this Report which follow.

Over and above the results which lend themselves to expression in objective data, there issue from land reform intangible results which can be best sensed by the observer on a visit to land reform areas. Appreciation of those intangible results is deeper and more securely based if the observer had the opportunity to know the same area before the reform. In addition to the visible signs such as better kempt fields, improved crops (new and old), more and finer livestock, and better infra-structure there are evident also the pervading spirit of optimism, will to progress, and even of enthusiasm - assets which are no less valuable even in the limited field of output and productivity.



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Please quote:
Référence:
Sírvasse citar:

FA 5/5 RUt

Viale delle Terme di Caracalla
R O M E

Cable Address: FOODAGRI, ROME
Tel. 590011 - 590211 - 599071

JAN. 24 1962

Dear Mr. Demuth,

• • •

I enclose for your information one copy
of the redrafted chapter on Progress of Land
Reform in General for the 1962 Report on Land
Reform to the ECOSOC.

Yours sincerely,

D. Christodoulou

D. Christodoulou
Land Tenure and Settlement Specialist
Land Tenure and Settlement Branch
Rural Institutions and Services Division

Mr. Richard Demuth
Director
Technical Assistance and Liaison Staff
IBRD
Washington D.C.
U.S.A.

Report with Aguc has per

1962 JAN 30 10 18 AM

ack Feb. 9, 1962



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Cable Address: FOODAGRI, ROME
Tel. 290011 - 290211 - 290271

Viale delle Terme di Caracalla
R O M E

FA 2/5 RUT

Please quote:
Référence:
Référence:

JAN 24 1962

Dear Mr. Demuth,

I enclose for your information one copy
of the redrafted chapter on Progress of Land
Reform in General for the 1962 Report on Land
Reform to the ECOSOC.

Yours sincerely,

D. Christodoulou

D. Christodoulou
Land Tenure and Settlement Specialist
Land Tenure and Settlement Branch
Rural Institutions and Services Division

Mr. Richard Demuth
Director
Technical Assistance and Liaison Staff
IBRD
Washington D.C.
U.S.A.

1962 JUN 30 AM 8:49

RECEIVED
FARM UNIT DIVISION

and 24.2.1962

56

UNITED NATIONS



NATIONS UNIES

NEW YORK

[Handwritten signature]

CABLE ADDRESS • UNATIONS NEWYORK • ADRESSE TELEGRAPHIQUE

FILE NO.:

EC 342 (7)

19 January 1962

Dear Mr. Iverson,

✓
Thank you very much for your letter of 15 January
enclosing a copy of yours of 19 December 1961 to Mr. Christodoulou.

Yours sincerely,

[Handwritten signature: John H.G. Pierson]

John H.G. Pierson
Special Consultant, Department
of Economic and Social Affairs

Mr. Kenneth Iverson
Assistant Director
Development Services Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C.

cc: DSD

RECEIVED
BANK MAIL ROOM
1962 JUN 23 PM 12: 44

UNITED NATIONS



NATIONS UNIES

NEW YORK

CABLE ADDRESS • UNATIONS NEWYORK • ADRESSE TELEGRAPHIQUE

FILE NO.:

EC 342 (7)

17 January 1962

Dear Mr. Demuth,

..... I enclose for your information and any comments a copy of our draft of the Foreword of the inter-agency land reform report.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "John H.G. Pierson".

John H.G. Pierson
Special Consultant, Department
of Economic and Social Affairs

Mr. Richard Demuth
Director
Technical Assistance and Planning Staff
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.

ack. Feb. 5, 1962

DRAFT

prepared in United Nations
Bureau of Social Affairs

16 January 1962

FOREWORD

This report, a sequel to two others by the same title issued in 1954 and 1956,^{1/} is submitted in accordance with resolution 712 (XXVII) adopted by the Economic and Social Council on 17 April 1959 and resolution 1426 (XIV) of the General Assembly, adopted 5 December 1959.^{2/} It was prepared in consultation with the regional economic commissions, the Food and Agriculture Organization of the United Nations, the International Labour Organisation, other interested specialized agencies, and the Governments of Member States. The FAO in particular joined with the UN in engaging a consultant, Professor D.G. Karve of India, to present a comprehensive initial draft based on information from all sources.

^{1/} Sales Nos. 1954.II.B.3 and 1956.II.B.3. An earlier report entitled Land Reform: Defects in Agrarian Structure as Obstacles to Economic Development was issued as Sales No.:51.II.B.3.

^{2/} The text of these resolutions appears in Annex A. Subsequently in resolution 1526 (XV) of 15 December 1960 the General Assembly recommended a comprehensive analytical survey of land reform every three years, from 1962, and also asked the Secretary-General to inform it at its sixteenth session on progress in implementing the two previous resolutions; this request was met on 22 August 1961, in a Note by the Secretary-General, A/4850. General Assembly resolution 1710 (XVI) of 19 December 1961 on the subject of the United Nations Development Decade, in requesting the Secretary-General to develop proposals for the intensification of action in the fields of economic and social development by the United Nations system of organizations, enumerated a series of approaches and measures to be given particular attention, among them "Measures for assisting the developing countries, at their request, to establish well-conceived and integrated country plans - including, where appropriate, land reform ...".

The Economic and Social Council in its resolution referred to above asked for a report along the lines of the prospectus contained in paragraph 57 of Part II of document E/3208 (issued 16 February 1959), which had listed the following as examples of problems to which attention could be devoted:

- "A. The effects of land reform on productivity in agriculture and on farm output in both the subsistence and the commercial sectors.
- "B. The effect of land reform on employment in rural communities, with particular reference to:
 - (i) Productivity of labour;
 - (ii) Level of employment and extent of underemployment.
- "C. Financing agrarian reform.
 - (i) Tax policy;
 - (ii) The needs of the new cultivator for production capital;
 - (iii) Financial obligations to and of former landholders.
- "D. The relationship of land reform to community development.
 - (i) The role of community development in the solution of specific problems arising from land reform schemes;
 - (ii) The impact of national community development programmes on the agrarian structure;
 - (iii) Co-ordination of land reform measures and community development in national programmes of economic and social development".

These subjects are dealt with herein in Chapters 3 - 6, following a general review in Chapter 2 of new policies and measures of land reform adopted in various parts of the world since about 1955.

The General Assembly in its resolution asked that the Economic and Social Council be informed in 1962, and that it (the Assembly) be informed at its seventeenth session, on two further matters:

- " ... the results of the land reform programmes in the under-developed countries in the light of the reports submitted by Member States, and the effects which the programmes have had on the economic development of those countries ... "
- " ... possible improvements in ... support" by the United Nations and related agencies to the land reform programmes put into effect by Member States.

These matters are covered in Chapter 1.

The material presented in this report was obtained primarily from the following sources: (1) a number of case studies which have been undertaken in co-operation with Member Governments - studies concerned with the financing of land reform in India, Italy and Sudan; and others exploring the relation between land reform and community development in Bulgaria, China: Taiwan, Ecuador, India, Pakistan, Romania, United Arab Republic (including the present Syrian Arab Republic) and Venezuela;^{3/} (2) information previously compiled or being gathered (as in the study of land tenure systems and conditions of agricultural labour which is being carried out under the Central American Integration Programme) by the United Nations and by specialized agencies including FAO, the ILO, the United Nations Educational, Scientific and Cultural Organization, and the International Bank for Reconstruction and Development; (3) reports of various technical missions, research institutes, centres and study groups concerned with land problems; and (4) the replies to a questionnaire which was sent to governments^{4/} and to which the following governments replied: Australia, Austria, Brazil, Bulgaria, Cambodia, Ceylon, Chile, Republic of China, Cuba, Czechoslovakia, Ecuador, Finland, Gabon, Federal Republic of Germany, Greece, Honduras, Hungary, India, Iran, Iraq, Ireland, Italy, Japan, Republic of Korea, Mali, Netherlands (also in respect of Surinam), New Zealand, Philippines, Portugal, Spain, Sweden, Switzerland, Turkey, Union of Soviet Socialist Republics, United Arab Republic (in respect of the Egyptian Region), United Kingdom (also in respect of Basutoland and Bechuanaland), United States of America, Venezuela and Yugoslavia.

^{3/} Zahir Ahmed, Agrarian Policies in Bulgaria and Romania (1961); M.L. Dantwala, Fiscal and Financial Aspects of Land Reform in India (1961), and Study of Relationship between Land Reform and Community Development in India (April 1961); M. Shafi Niaz, Study of Relationship between Land Reforms and Community Development (Village AID) in Pakistan (May 1961); Guido de' Rossi, An Investigation on Financing Land Reform: A Case Study in Italy (1961); A.Z. Sheira, Fiscal and Financial Aspects of Land Reform in the Republic of Sudan (1961); Paul S. Taylor, Ecuador: A Case Study of Relationships between Community Development and Agrarian Reform (September 1960), and Venezuela: A Case Study of Relationships between Community Development and Agrarian Reform (September 1960); Doreen Warriner, Land Reform and Community Development in the United Arab Republic (April 1961); Martin M.C. Yang and Y.T. Chang, Case Study on Inter-Relationship between Community Development and Land Reform: Taiwan (1961). Copies of these studies [or of the studies on _____] in their original form can be made available on request.

^{4/} This questionnaire is reproduced in Annex B.

In its source material, therefore, this report differs from the two preceding reports in the series, which were based entirely on analysis of replies by governments to a United Nations questionnaire. The approach to the material has also been modified. Although much scope for broadening and deepening these investigations remains, an attempt has been made to increase the element of evaluation or critical appraisal with respect to the topics to which the Economic and Social Council and the General Assembly asked that attention be given. This has on the other hand meant a less systematic and less detailed presentation than formerly of the information that governments have supplied. Readers are referred to those earlier reports not only for most items of information antedating 1955 but also for a substantial amount of background information that is still of current interest.

The term, land reform, is sometimes employed in a narrow sense as meaning only changes in land tenure, especially the redistribution of land ownership. In this report, however, following the usage in United Nations debates and resolutions and in the previous numbers in this series, land reform is treated more broadly as equivalent to agrarian reform or agrarian institutional reform. It clearly includes changes in land tenure, i.e., reforms that in various ways improve the position of tenants or of hired farm workers, or enlarge the unit of cultivation or operation, as well as those that redistribute land so as to increase the number and proportion of owners. But it also includes the establishment or strengthening of essential governmental, co-operative or commercial agencies or services relating to agricultural credit, supply, marketing, extension and research. So conceived, the ideal land reform programme is an integrated programme of measures designed to eliminate obstacles to economic and social development arising out of defects in the agrarian structure.^{5/} For many countries, the execution of such a programme will prove to be a continuing and a many-sided process.

When linked with an agricultural revolution in the technical sense, and with supporting governmental policies as regards agricultural prices, public investment and tax incentives, needed land reforms can yield impressive

^{5/} See footnote on page 1 of the questionnaire.

agricultural development. There then remains to be achieved also the broad goal of rural development, without which urbanization assumes an exaggerated form and national development as a whole is deprived of much of its social and some of its economic content. Here additional elements come into play - such as community development programmes; educational, health and welfare services; strengthened local government; the active promotion of a rural industrial technology.

Your Ref: EC 342 (7)

January 15, 1962

Mr. John H. G. Pierson
Special Consultant, Department
of Economic and Social Affairs
United Nations
New York, New York

Dear Mr. Pierson:

As requested in your letter of January 11, I am enclosing a copy of my letter to Mr. Christodoulou of December 19, 1961. ✓

Sincerely yours,

Kenneth R. Iverson
Assistant Director
Development Services Department

Encl.

KRI:mo

cc: Central files ✓ with incoming letter

ack Jan 19, 1962

UNITED NATIONS



NATIONS UNIES

NEW YORK

CABLE ADDRESS • UNATIONS NEWYORK • ADRESSE TELEGRAPHIQUE

FILE NO.:

EC 342 (7)

11 January 1962

Dear Mr. Iverson,

This refers to Mr. Christodoulou's letter of 3 January to you, copy of which was sent to Miss Henderson. Perhaps I should clarify certain points relating to the structure and the method of completing the inter-agency land reform report. As agreed with Mr. Kimmel of FAO when he was here on the 5th, no redraft of Professor Karvé's chapter, "Agrarian Reform and International Aid", will be necessary. Instead, the various agency statements on their present support activities in the land reform field, and on any recommended improvements in such support, will be presented in the appendix. I assume that the statement sent to me by Mr. Demuth on 1 December, and previously acknowledged, will appear there as written, unless we later find that we have questions to raise with you about it, or you find that you wish to amend it.

In addition, a summation of this appendix material, written so as to give the busy reader the highlights in which he is interested, will appear in one of the sections of Chapter 1. As the agency primarily responsible to the Council and Assembly for this report, the United Nations will prepare this summation and the other introductory and summary sections. Our draft will, of course, be cleared with the agencies concerned.

If you have a spare copy of the comments on Professor Karvé's draft chapter / which are referred to in Mr. Christodoulou's opening paragraph, we should be glad to have this material for information.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "John H.G. Pierson".

John H.G. Pierson
Special Consultant, Department
of Economic and Social Affairs

Mr. Kenneth R. Iverson
Assistant Director
Development Services Department
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

CC: Mr. Christodoulou

A handwritten note in dark ink, reading "ack Jan 15".

RECEIVED
BANK MAIL ROOM
JUN 12 AM 10:32
1967

UNITED NATIONS



NATIONS UNIES

NEW YORK

CABLE ADDRESS • UNATIONS NEWYORK • ADRESSE TELEGRAPHIQUE

FILE NO.:

EC 342 (7)

3 January 1961²

*no answer needed
as TOD has no
commitments to make
JH*

Dear Mr. Demuth,

..... Enclosed is a copy of our revision of the community development chapter of the 1962 land reform report. Corrections, comments or queries on it will of course be welcome at any time up to the proposed inter-agency drafting meeting, which I assume is to be held in early March.

With kind regards,

Yours sincerely,

A handwritten signature in dark ink, appearing to read "John H.G. Pierson".

John H.G. Pierson
Special Consultant, Department
of Economic and Social Affairs

Mr. Richard Demuth
Director
Technical Assistance and Planning Staff
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.

cc: DSD

DRAFT
prepared in United Nations
Bureau of Social Affairs
29 December 1961

1962 report on land reform:

CHAPTER 5. LAND REFORM AND COMMUNITY DEVELOPMENT

- A. The nature of community development programmes, p. 1.
- B. The relations between community development and land reform, p. 3.
- C. Latin America, p. 11.
- D. Europe and North America, p. 20.
- E. Africa and ^{the} Middle East, p. 25.
- F. Asia and the Far East, p. 33.
- G. Special land tenure and community development problems of nomadic and tribal groups, p. 39.

* * *

Because land reforms are of necessity carried out on the land and by the people, at the community level, the relationships with community development have already been referred to in this report at a number of points. The subject of these relationships will now be examined directly, on the basis of recently reported experience.

A. The Nature of Community Development Programmes

The short definition of community development agreed upon by the United Nations and specialized agencies, as cited in many other reports, is as follows:

"1. The term 'community development' has come into international usage to connote the processes by which the efforts of the people themselves are united with those of governmental authorities to improve the economic, social and cultural conditions of communities, to integrate these communities into the life of the nation, and to enable them to contribute fully to national progress.

"2. This complex of processes is then made up of two essential elements: the participation of the people themselves in efforts to improve their level of living with as much reliance as possible on their own initiative; and the provision of technical and other services in ways which encourage initiative, self-help and mutual help and make these more effective. It is expressed in programmes designed to achieve a wide variety of specific improvements." 1/

It is evident that this definition can be applied in a number of different ways. It should also be observed that the numerous programmes^{2/} thus far started in various parts of the world (sometimes under other names -- rural development, village development, mass education, etc.) have for the most part been proceeding experimentally without as yet necessarily meeting in full the concepts that have come to be formulated in this definition.

~~Nevertheless~~ community development programmes have some common features, as is indicated in the above formulation, by which they can be distinguished: (1) They seek the development of local communities by joint effort of local communities and national (or state) governments. (2) They put stress on using and progressively developing local initiative. (3) They emphasize group action, trying to achieve it by persuasion and shunning compulsion. (4) They are usually very broad in their scope and aims. -- The historic stage when many of them concentrated on social welfare, or on mass education, has largely passed, at least as far as the programmes in rural areas are concerned; social, cultural, economic, and civic development at the village level are all likely to be involved sooner or later, although this is certainly not true in every case.

1/ E/2931, Annex III of 18 October 1956, Part One, paragraphs 1 - 2.

2/ For example, a report issued by the United Nations in 1960 identifies 16 such programmes in the ECAFE region. (Community Development and Economic Development: Part I. A Study of the Contribution of Rural Community Development Programmes to National Economic Development in Asia and the Far East. E/CN.11/540; United Nations publication, sales No.:60.II.F.6) In all, the number of underdeveloped countries with government-sponsored community development programmes is probably not far short of 70. Many of the publications on the subject are listed in the United Nations Series on Community Development: Selective Book List (ST/SOA/Ser.L/33 and ST/TAO/Ser.D/33), 1960. Reference may in particular be made to Social Progress through Community Development (Sales No.:55.IV.18), Public Administration Aspects of Community Development Programmes (Sales No.:59.II.H.2.) and Study Kit on Training for Community Development (Sales No.:57.IV.6); see also footnote 1, above.

In recent years, faced with the problem of accelerating economic development, governments have shown an increasing interest in community development's potential contribution to that objective. This means that expansion of production and productivity is now more often treated as a major criterion in the choice of programme activities. All the more emphasis is also being put (not always, however, in equal degree or with equal success) on arousing active popular enthusiasm, enlisting available labour for local projects, and removing obstacles to continuous development by strengthening co-operatives and local government, effectively co-ordinating the "nation building" agencies at the centre, and so on.

The vitality of the community development movement as a whole, taking account of its multiple objectives, is readily demonstrated. It is attested by the widening circle of countries engaged on such programmes, the growing number of requests for technical assistance - in training, administration or other aspects - received by the United Nations, and the growing body of significant although still in some respects fragmentary evidence that progress toward the goals set is being made in many cases.

B. The Relations between Community Development and Land Reform

Major elements in agricultural development include technical agricultural progress; land reform (agrarian reform) in the inclusive sense; and favourable national economic policies in such matters as agricultural commodity prices, tax incentives and public investment. Major elements on the non-agricultural side of rural development include rural industrial technology; rural social advance (including health and education); rural local government; and community development - which on its part provides various kinds of assistance to the other three, and to agriculture as well. This is a way of visualizing the relationships broadly and schematically.

More simply and directly, the focus of agrarian reform is on land, while the focus of community development is on man. This is emphasized in a case study of relationships between community development and agrarian reform in Venezuela, one of the series of studies (cited in the Foreword) undertaken in connexion with this report. The author continues:

"The motivation behind agrarian reform is an age-old, fundamental urge of a man to provide security and a living for himself and his family through

ownership of a piece of land. The motivation nurtured by community development is a social impulse, also old, to make sustained common efforts with others toward achievement of common goals.

"Community development and agrarian reform, therefore, are complementary to each other. They are not to be substituted for each other, as interchangeable parts.

"Community development can be affected unfavourably by the absence of land reform where it is needed to provide more equitable distribution of income. Or it can be affected favourably by a suitable adjustment of land tenure.

"Agrarian reform can be affected unfavourably by absence of community development, even to the point of failure to attain its full goal ..."

Land reform as a factor in community development

Fundamental land tenure reforms, including redistribution of ownership, will sometimes be necessary for the success of community development programmes, or indeed for peaceful evolution and satisfactory economic development under any other plan of action. This will be true in those cases where the existing tenure arrangements destroy all hope and incentive for the mass of the people. The Asian study of community development and economic development may be quoted on this point:

"Where such land reforms are needed and have not been carried out, national plans to expand agricultural production make little headway, whether with or without a community development programme. Social frictions often become acute. In any case, a high percentage of the farmers on whom the execution of the plan devolves have little or no positive motive in such a situation to improve the land that they cultivate, or reclaim and develop new land, or modernize their production methods. This is not to say that land tenure reform by itself will necessarily provide the answer; without new agricultural credit measures, for example, it often will not. Nor is it true that community development programmes cannot be launched until land reform has taken place. On the contrary, a community

development programme, by developing the self-confidence and the organizing ability of villagers, can greatly help to create the conditions for viable land reform. Nevertheless, it can be briefly stated that, if a community development programme is to proceed very far, and make an important contribution to national economic development, equitable land tenure arrangements are an essential." 3/

The best of educative and organizational efforts on the part of community workers will prove ineffective if the occupational interests of members of the community are not ordered on the basis of fairness and progressiveness. In a society polarized between a few owners of large blocks of land and a large number of landless tenants and workers, community development can be little more than a humanitarian or ameliorative movement of rural uplift. Wherever the large body of cultivators have had a very insecure hold on their land or have been obliged to give most of the produce to the landlord, extension agencies associated with community development organizations have understandably come up against a general lack of interest in the use of fertilizers, better tillage, and soil conservation. It is true that the social tensions during a drawn-out transition period have sometimes made it even more difficult temporarily for these agencies to be effective. Where the underlying conditions have been reformed, however, the interest in conserving the fertility of the soil and making improvements has markedly increased. It is also well known that in many cases the same people who led a revolt against the practice of forced labour for a feudal landlord have been enthusiastic participants in work parties of villagers organized for developmental works under community development programmes.

Community development as a factor in land reform

The reverse contribution - of community development programmes to the success of land reform - is a considerably more complex matter. It consists basically of educating people to an understanding of the possibilities of land reform, its full requirements, and their own responsibilities for making it a success, and of helping them to organize to discharge those responsibilities. But here again the point must be

3/ United Nations, Community Development and Economic Development, Part I, op.cit., p. 71.

stressed that land reform includes more than just land tenure changes, and that it ordinarily involves a succession of steps extending over substantial periods of time.

Paving the way for land reform: Although in some instances - in Iran, for example - land tenure reforms have originated at the top, it is usually true that strong local support is needed even to obtain the enactment of land tenure reform legislation. Such local support presupposes some occurrence that could overcome some of the apathy and demoralization into which peasant societies tend to sink after generations of living without incentives, oriented mainly toward mere survival. Something must have given the rural people a measure of encouragement, self-respect, self-confidence, desire for progress. A deep groundswell must have arisen.

Community development programmes are well adapted to help create such a groundswell. In a number of instances - the experience in West Bengal being a case in point - such programmes have existed for some years before land tenure reforms, even in the restricted legal sense, were instituted, and have demonstrated their ability to bring into being the conditions that make viable land reform possible. They have done this essentially by educating the rural people about the possibilities and by enabling them to find a voice, i.e., spokesmen, an organization, the beginnings of organizing competence and of the habit of working through organizations. The reform laws were then in large part initiated, and their passage assured, by the community itself.

Securing enforcement of tenure reform legislation: Local support is in any case needed for enforcement of land tenure legislation after it is adopted, since otherwise it is likely to remain a dead letter because of the influence of vested interests.

It is inevitable that all legal basis for creating enforceable rights of possession and use is created by the national or state legislature. The law, however, can only sanctify and solemnize a pattern or relationships that has been, or can become, accepted in the village or countryside. To be fruitful, land legislation must be supported at the base by strong social opinion organized in community institutions in rural areas.

Otherwise, with the balance of relative knowledge and economic resources so much in favour of the socially and economically entrenched owners of large blocks of land, implementation will probably bog down.

Evidence of this is to be found in the history of land reform in many developing countries. Often, in anticipation of a law, ejections of tenants, ostensibly voluntary surrenders of rights, fictitious sales and partitions have taken place. After laws have been passed, many illiterate peasants have been ignorant of their new rights. Even where fairly adequate means of public education have been available, a lack of strong community organizations in rural areas has helped land owners to disregard legislation, or to get around it. The presence of strong community organizations, on the other hand, has turned the tide in favour of enforcement.

Assuring the success of colonization and land settlement schemes:

Some countries have large tracts of vacant territory where the desire to own land can be gratified by the assignment of state-held idle land, without displacing existing private owners. If the hazards of migration and of life in the wilderness are not too great, such land can be settled by individual pioneering families or by small groups of such homesteaders. A number of countries have in recent years adopted or continued special policies of granting public land to ex-servicemen; this would apply among others to Australia, China: Taiwan, India, New Zealand and Pakistan. Sometimes circumstances connected with changes in territorial jurisdiction may provide the occasion for a particular settlement or resettlement operation, as in the case of refugee settlements in southern Viet-Nam, or the case (antedating Finland's latest legislation on land settlement and utilization in the normal sense) of the return to Finland in 1956 of the Porkkala area previously leased to the Soviet Union. The problem, however, that mainly gives rise to settlement operations in the less developed countries is the unevenly distributed pressure of population in general. Vacant and hitherto unproductive land exists in some regions; many are landless in the heavily settled parts; and a programme of migration or transmigration, taking place on an organized basis with active governmental support, is viewed as a partial answer. Examples may be found in Ceylon, Colombia, Guatemala, Indonesia and Syria, to cite just a few examples.

It must be recognized that there are situations in which colonization or land settlement, if viewed as the main solution for existing land tenure ills, can lead to unfortunate results. It may be wholly uneconomical to attempt to move large numbers of people great distances in order to form new colonies in the wilderness, when they can instead be given titles to some of the land on which they are already living and working, while the comparatively few former owners of land in excess of stipulated limits can then receive part of their compensation in the form of title to land in the distant areas. There is also the danger of spreading familiar agrarian problems to new areas, if care is not exercised in establishing suitable limits and conditions to ownership on the new frontiers.

Almost by definition, the new colonies or settlements founded today require both governmental assistance and strong community organization if they are to become viable. Had the new areas been easy of access and endowed with rich soil not requiring a heavy initial investment of labour for clearing and draining, etc., they would hardly have continued to remain vacant so long. There is the need for surveys, and for the registration of land titles, assuming land ownership is not to remain on the basis of squatter rights. There are basic economic needs: especially to institute efficient agricultural production and to set up transport arrangements making it possible to obtain supplies and to market surplus output. Social considerations, including arrangements with regard to housing, health (water supply, medicines, etc.) and education, and including the creation of a genuine community life, are equally fundamental. If the new settlements are to draw and hold people who might otherwise prefer the conditions, however miserable, to which they have been accustomed, a simultaneous, broad-scale attack on the main problems of living becomes a real necessity.

Only organization by the people in the new settlements themselves, on a self-help basis, can make it possible for these varied wants to be supplied in a satisfactory manner and without excessive cost to the government. The success of many otherwise well-endowed schemes of colonization has been endangered by lack of adequate attention to this aspect. Community development programmes have, on the other hand, been closely associated with many such new settlements and have contributed largely toward their favourable evolution.

Helping to raise agricultural productivity: Stressed throughout this report has been the often demonstrated fact that land reform is not merely a question of giving a peasant the ownership rights (or, if he prefers it, secure tenure at a reasonable rental) in a plot of ground - essential though that can be - but also a question of seeing to it that his farming operation becomes economically sound and progressive. Attention must therefore be given not just to tenure, or the legal and administrative aspects of the problem, but also to agricultural productivity and various agricultural institutions and services, or the development aspect. This, of course, applies in new settlements as well.

The subject of agricultural productivity has been discussed in Chapter 2. Community development programmes, being concerned with economic efficiency as well as with social welfare, have a very important educational role to play in this connexion. They are often in a position to contribute by helping with the agricultural extension work through which better techniques and methods are popularized on the existing farm plots. They may also help to get farming operations established on a larger-scale basis, where that is necessary.

In India and a number of other countries, particularly countries where the village level workers of the community development organization are more numerous than the extension workers of the Ministry of Agriculture, it is the former who have given most of the demonstrations aimed at convincing farmers of the practical advantages of using improved seed, organic and chemical fertilizers, pesticides, improved implements, etc. If, on the other hand, the agricultural extension force has come to be the larger of the two, the community development field workers may often still be needed (as has been the case in Ghana) to bring the agricultural extension workers into contact with the villagers on favourable terms, and thus greatly help the extension workers to get their technical message across.

The inefficiency that almost always characterizes farming conducted on a very small scale, even if all the improved techniques are used that are really applicable, is not cured by land redistribution. Unless care is taken to set reasonably high minimum holding limits in connexion with the tenure reform, this problem may become more deeply entrenched or may actually be made worse. Attention therefore shifts to questions such

as whether consolidation of fragmented individual holdings will suffice to create efficient-size farms, or will leave them still too small (and leave their owners still uninterested in adopting the improved techniques advocated by village level workers and extension experts); whether the obstacles to consolidation can in any case be overcome; and whether, in addition or alternatively, some form of co-operative farming is needed - perhaps with individual ownership but joint operation or common management, or else with collective ownership as well.

To these broad questions community development programmes can, of course, contribute only partial answers. The programmes have relevance as a motivating and organizing force, and one that emphasizes co-operative action. In some countries (such as Kenya) they have been instrumental in bringing about a consolidation of scattered holdings. In other countries (notably Egypt) co-operative farming has shown a trend toward local initiative and control that qualifies it as also a part of the community development movement. Elsewhere (as generally in Eastern Europe) co-operative farming has led in the opposite direction, toward greater collectivisation.

Helping to strengthen needed agricultural institutions and services:

Intimately linked with the process of improving the technical efficiency of agricultural production is that of strengthening the framework of the supporting agricultural institutions and services - especially those relating to credit, marketing and supply, extension and research. This is likely to be a particularly urgent matter where land reform has disrupted the established relations under which landlords have, for example, been providing tenant farmers with credit. The functions in question are to some extent performed directly by government institutions, and to some extent, especially in many of the more advanced economies, by private commercial organizations. In many of the underdeveloped countries, however, efficient single-purpose or multiple-purpose service co-operatives are considered the principal present need in this connexion.

Some community development organizations have constituted themselves a supply line to bring seed, fertilizer and other requisites to farmers, although this temporary solution has the defect that it seriously limits the time that the village level workers can give to various kinds of extension work. Some programmes have encouraged the inclusion of warehousing and processing facilities in the village self-help construction projects;

some have been active in developing small savings and credit arrangements among cultivators. The co-operative principle inherent in the community development concept should dispose and enable the programmes to help substantially with the formation of strong co-operative societies. The extent to which this potential contribution has actually been made varies considerably.

Co-ordination between land reform and community development

It can be concluded from the foregoing summary analysis that a substantial degree of co-ordination of programmes and agencies is required if land reform is to support community development and vice versa. The interrelationship is evident. Land tenure reform is essential in some situations if a community development programme is to be successful. Community development can help to obtain and enforce land tenure reform legislation, promote the success of resettlement schemes, and in various ways educate and organize for the higher agricultural productivity for lack of which land redistribution alone would constitute a social victory followed by economic defeat. The two movements therefore need to be geared together.

In practice, however, co-ordination has generally been a weak point. Adequately co-ordinated action has proved difficult to bring about, even among the agencies concerned with community development alone.

Recent experience in the relations between land reform and community development will now be examined, region by region, beginning with Latin America.

C. Latin America

A defective agrarian structure, with the highest average degree of concentration of ownership to be found in any large region in the world, has come to be recognized in Latin America as a main underlying reason why agricultural production has barely kept pace with the high rate of population growth, thus acting as a brake on economic development. This, of course, does not apply in all cases. The wide variation of circumstances between, and generally also within, individual countries of the region would make careful study necessary in each case before precise lines of action could be recommended.

As far as community development programmes are concerned, one would not expect, in those areas in which socially inequitable land tenure conditions still prevail, to find such programmes broadly based or firmly established, even assuming that a considerable governmental effort in that direction had been made. New incentives would have to be created first by means of land reforms. At the same time, one would expect to find a very great need to accompany or follow measures of land tenure reform with educational and organizational work, under some kind of community development programme or otherwise, lest the potential benefits of the land reforms be lost, both socially and through failure to bring about higher productivity and greater total production.

In nearly all Latin American countries, the idea is gaining prominence that the existing agrarian structure might be changed by means of more or less definitive reforms giving land to agricultural workers who have none. Underlying this idea is the conviction, which prevails in many sectors, that this is probably the best way of giving impetus to successful large scale economic and social improvement programmes, since the present structure impedes rapid economic growth not only because it curtails production incentives in agriculture itself but also because the low wages earned by agricultural workers limit the market for industrial products. Thus land reforms have lately been carried forward in Bolivia, Cuba and Venezuela; projects are being discussed in Argentina, Brazil, Colombia, Ecuador and Uruguay; and progress has been made in studies of various types in Chile, Paraguay and Peru. On the whole the atmosphere is propitious for the consideration of far-reaching structural changes.

In general, however, integrated official and also popular organizations are lacking for attending to the developmental and welfare needs of the rural populations as a whole. In Mexico's pioneering land reform movement launched two generations ago, the requisitioning and redistributive aspect was emphasized to the point that only hurried attention was given to organizing and servicing the newly created farm owners. It took some years to set up an extension service, which is now operating with reasonable efficiency in some parts of the country. But neither there, nor in those sections where, as also in Brazil, large colonies of immigrant settlers have been established, is the setting up of popular institutions to attend to the settlers' own betterment through their own action being

given full attention. It is more common to think of community development as a scheme for providing services to a community than as a method of helping a community more effectively to help itself. Actually in many parts of the region the disparities of income and concentrations of land ownership are so great that, outside of new settlements and colonies, the possibilities of developing a community consciousness among the rural population as a whole without first attending to land tenure reforms are probably marginal. This does not, however, diminish the desirability of having the rural people themselves involved in the process of working out such reforms.

In the settlements that have been created for foreign immigrants, the local population may find employment but is as a rule excluded from active participation in the associations formed by the immigrants for purposes of mutual aid. This further reduces the possibility of developing a common sentiment in favour of rural development and welfare. The settlements would be a more powerful instrument of agrarian development if they could incorporate all their personnel into an integrated community of persons, each interested in the welfare of all. The declared objective of policy in many of the countries, supported in some by schemes of extension and of supervised credit, is to create family farms of viable size. This objective, if realized for all those who live by agriculture, could combine land reform and community development to excellent advantage. If, however, only a few are helped to become self-sufficient family farmers, and a large number are still left to struggle on a precarious basis as tenants or wage workers, the land reform and community development movements will both be halted at the half-way mark.

In March 1960 the Government of Venezuela promulgated an Agrarian Reform Act with the following comprehensive objectives:

1. Transformation of Venezuela's agrarian structure and participation of the rural inhabitants in its economic, social and political life through an equitable land ownership, tenure and development scheme based on fair land distribution, adequate credit facilities and assistance to every kind of agricultural producer;

In order to achieve the above, the Act:

- a) Guarantees and lays down regulations concerning the right of private ownership in accordance with the principle of the social function of such ownership;
- b) Guarantees the right of every person capable of engaging in agricultural work to own land that can be worked economically; and
- c) Promotes the development of small and medium-size family estates and agricultural co-operatives;

2. Gradual incorporation into the national economy of land in rural areas or regions which could be farmed economically but is either inadequately used or inaccessible for lack of communications, and land where there is no irrigation, sanitation, etc.;

3. Formulation of plans for the overall development of economic areas or river basins;

4. Provision of additional public services as may be necessary to enable landowners to comply with the principle of the social function of the land they occupy;

5. Raising the status of agricultural work by regulating it and its juridical relationships.

This broadly based legislation recognizes in principle that redistribution and improved land tenure systems must be accompanied by the creation of facilities and supporting services necessary to ensure the efficient operation of the new farm units, with a view to providing larger output and higher incomes for agricultural workers. Provision is made for agricultural credit, research and extension, market organization, rural housing, agricultural co-operatives, roads, irrigation and sprinkler systems, schools and hospitals. It is estimated that the reform will benefit a little over 400,000 families of small farmers and agricultural workers over a period of about ten years.

With agrarian reform put at the forefront of the country's four-year programme, community development, although not overlooked, occupies a less conspicuous and less clearly defined place. Venezuelan efforts in this field are not new. Beginning about a decade ago, the Consejo de Bienestar Rural undertook a series of related programmes in rural rehabilitation. Valuable experience was gained by the personnel associated with these pilot projects, scattered broadly over the populated portions of the country and exhibiting between them most of the elements of community development. In reporting on its experiences for the benefit of the Oficina

Coordinación y Planificación (CORDIPLAN), the Consejo offered what could well serve as a motto for community development anywhere: "Today the question is not to resolve problems of the people, it is to aid these people to resolve their problems."

Under the present National Administration of Venezuela, such activities have multiplied, the extent of participation by government agencies and others has grown, and the term "community development" has come into more general use - as in the title of the Organismo Regional de Desarrollo Comunal (ORDEC). The possibility appears to have increased that the rather diffused efforts in this field, some undertaken under the leadership of one agency and some under another, could be drawn together into a greatly expanded national community development programme. An important step was taken in 1958 when the Instituto de Malariología widened its programme to include the improvement of rural housing, and the Programa Nacional de Vivienda Rural was inaugurated, drawing in also the Ministerio de Agricultura y Cría. The purposes of the Vivienda Rural programme go far beyond improvement of housing and physical health. Local action begins with a community survey, using a guide which contains an elaborate checklist of "social" items including welfare programmes, education, religion, social institutions, sports, etc. and of "production" items such as labour centres, tenancy, commercial development, unions and agrarian leagues, and agricultural extension and credit. In the construction of houses, attention is also given to water supplies, land for gardens and instruction in the use of both house and garden.

It is evident that the interrelations between land reform and community development are receiving recognition in Venezuela, and there are prospects that administrative arrangements for effective co-ordination of the two programmes may be adopted. A key aspect of the problem for the future derives from the fact that the initial stage in land reform has been basically social rather than economic. In order to satisfy the pressure for land without giving each family more land than it has the present capacity to manage, the Government has departed from the policy formerly applied to experienced immigrant farmers and has created family farms of less than commercial size - usually about 3 to 8 hectares. The forces of education will therefore need to be brought to bear, through

the school, the home and the community, to raise the productive capacity of the campesinos and meanwhile devise ways of giving them larger holdings or alternative employment.

The Andean highlands of South America present a challenging set of problems which Governments are undertaking to meet with international agency help. The Andean Indian programme, now operating in Bolivia, Ecuador and Peru and to a lesser extent in Colombia, and soon to be extended to parts of Argentina and Chile, represents an attempt to develop an integrated approach to rural development with the primary purpose of integrating the indigenous populations into the national economic and social life. Under the leadership of the ILO and with the active participation of the United Nations, FAO, WHO, UNESCO, and UNICEF, a number of action bases have been established where activities in the fields of agriculture, health, education, vocational training, social welfare, etc., are carried out for the benefit of the indigenous populations living in the surrounding areas. In the countries of this region, land problems are obviously of major importance for rural and general economic and social development. The indigenous population is concentrated in the uplands which are overcrowded and generally poor in physical resource endowment. On the other hand, sizeable areas of potentially good land in the lowlands remain undeveloped, offering a partial solution to the problem - a supplement though not a substitute for the resolution of problems in the Sierra itself. Although agrarian reform is actually being implemented only in Bolivia, in some of the other countries legislation is at an advanced stage of preparation and matters of agrarian development are occupying the attention of the Governments.

In Ecuador the Andean Indian programme operates in six zones in the highland areas in which comprehensive programmes using community development techniques have been created, with differing degrees of intensity. But since in these areas no direct measures of agrarian reform have been undertaken to date (some initiatives have been taken by the Misión Andina on a small scale to assert the water rights of the campesinos under pre-existing law), the response of the local population to community development is less complete than it could otherwise be. On the other

hand, land settlement is being actively encouraged in the coastal areas; but here, so far, little attention is being paid to community development and to that extent rural progress is being handicapped. It can be said that the Ecuadorean experience again illustrates the extent to which agrarian reform and community development are mutually supporting; the impact of the Andean Indian programme in the uplands would in particular have been considerably greater if an effective agrarian reform had been in operation. Recent developments indicate that the Government is now seriously contemplating steps in that direction; the first phase may be the resettlement of large government estates in the Sierra, some of which are in areas served by the Misión Andina. The Government has obtained assistance from the United Nations Special Fund to make careful surveys of these public estates prior to resettlement. Moreover, the Government service responsible for the National Campaign for the Integration of the campesinos, within which the Andean Indian Programme operates, is the Institute of Colonisation which is also responsible for the resettlement of public estates. This would seem to warrant the expectation that if any agrarian reform is, in fact, introduced its implementation will be closely co-ordinated with activities for community development.

In Bolivia the relationship between the Andean Indian programme and agrarian reform is more clearly defined. The programme began to operate shortly after the enactment of the agrarian reform in 1953, and certain of the action bases in the Altiplano were established on estates that were subject to redistribution. The programme has assisted the cultivators in making the various technical and social adjustments that land redistribution has involved, and it has in particular encouraged the organization of co-operative activities, one of the key items under the agrarian reform. Recently the Government has drawn up a general plan for rural development. Based largely on the experience of the Andean Indian programme, it will make considerable use of the existing action bases for the training of national personnel and related activities, and will bring together under one programme the services responsible for community development and for implementing the agrarian reform.

A small beginning has also been made in Bolivia under the Andean Indian programme in the planned resettlement of Indians from the Altiplano

to the lowlands in Santa Cruz. The Cotoca base has attempted to combine land settlement activities with those of a community development nature, paying particular attention to health, education, welfare and vocational training. Although the project has been on a small scale - in the neighbourhood of 100 families - the experience has been useful in demonstrating that such a transfer of populations cannot be undertaken without considerable effort to help the settlers adjust themselves physically (to a very different climate) and culturally, but that successful transfers are feasible, provided due attention is paid to health and community activities. Economic factors, such as difficulties of marketing and lack of communications, have so far hindered the development of this project. Before larger-scale transfers take place these problems will need to be solved and a more careful assessment of the agricultural potential of the region made. These are among the more important matters to which attention is being given in a comprehensive pre-colonization survey now being carried out with help from the United Nations Special Fund.

In Peru the Andean Indian programme has so far given somewhat less attention to agrarian aspects, the major focus being on vocational training. The increased interest being shown in agrarian reform may change this, and, in the meantime, certain activities illustrate the close relationship between agrarian progress and community development. For example, steps are being taken at the programme's action bases to train rural promoters to serve as a channel for introducing integrated rural development projects, with emphasis on the improvement of agricultural techniques. In one area indigenous cultivators have started to produce commercial crops for the market on an economic scale and have succeeded in obtaining credit for this purpose from established credit agencies - a considerable achievement for a population which has been living, until now, virtually outside the exchange economy.

The Government of Cuba in May 1959 promulgated and then implemented with increasing rapidity a land reform act designed to transform completely the structure of Cuban agriculture. Its aims were as follows:

- a) To promote economic development by distributing natural resources more equitably and raising the income of the agricultural worker, so as to convert him into a more efficient producer and consumer of the goods and services provided by other sectors of the economy;
- b) To abolish the latifundia and single-crop farming in favour of co-operative units or private small or medium-size farms with diversified production and a minimum area of 26.8 hectares (2 caballerías) in the case of non-irrigated but fertile land, which would assure the farmer a satisfactory income;
- c) To eliminate all leases and share-cropping and to create a de jure system by virtue of which the land belongs to those who work on it;
- d) To protect properties given free of charge under the law by forbidding their sale to private persons, their incorporation into civil or commercial associations and their division in the event of their being inherited;
- e) To oblige every landowner to work his land under pain of withdrawal of the title-deed granted by the State; and
- f) To promote greater productivity of the different factors of production through investment, the introduction of modern farming techniques, agricultural extension services and co-operatives.

Under this programme, although analysis of its results must in many respects await the further passage of time, it is clear that the concepts of community development as generally identified scarcely apply. With a view to preserving and extending the economic advantages of large-scale mechanized production, the Government of Cuba puts heavy emphasis on agricultural co-operatives and on People's Farms, which are large productive units run by the State through the National Agrarian Reform Institute (INRA). In both cases, workers take part in the management, administration and control of work plans through administrative councils elected by democratic assemblies of the workers. The administrative councils work in close contact with the administrator of each unit of production and each of its members plays an important role in production, social welfare, mechanics, sport or culture, etc. Small individual cultivators, on the other hand, are now organized in the National Association of Small Cultivators (Asociación Nacional de Agricultores Pequeños - ANAP) which was formed by the amalgamation of a number of local associations of cultivators of rice, tobacco, etc. ANAP has a central management and

regional and provincial councils, representatives to which are elected by the producers in assemblies. It has taken part in the programme of agricultural objectives for 1961 and also plays an important role in the granting of credit, in the supply of fertilizers and seeds, and in technical assistance to individual cultivators.

D. Europe and North America

The process of organizing agricultural production under co-operative farms and state-owned farms has had time to be carried much farther in Eastern Europe - for example, in Bulgaria and Romania, countries whose agrarian policies were analysed in one of the case studies (cited in the Foreword) undertaken as background for the present report. In Bulgaria, the proportion of total arable area under co-operative farms rose from 2 per cent in 1947 to 55 per cent in 1955 and continued its upward course in recent years, reaching 92 per cent in 1959; with the addition of the state-owned farms, the percentage then stood at 99 and has now apparently reached 100. In Romania, co-operative farms rose from only 12 per cent of total arable area in 1955 to 67 per cent in 1960; state farms, playing a larger part than in Bulgaria, accounted for 14 per cent and then 17 per cent; thus the two together accounted for 26 per cent in 1955 and 84 per cent in 1960.

On the economic plane this process of collectivisation, advanced by a series of incentives and pressures exerted by the State and Party to induce the small farmer to put aside his individualism and join a collective organization, derives its rationale from the technical advantages of large-scale production. Other countries, after adopting land tenure reforms as a measure of social justice, may often have no ready answer to the economic challenge of productivity. Here the answer is given in terms of large size (the average-size Bulgarian farm today is said to be the largest in Europe - upwards of 5,000 hectares, farmed by more than 1,200 peasant households); an intensified effort, subject to prior claims of the industrial sector, at mechanizing cultivation with tractors and combines, etc.; and a comprehensive system of State-supervised measures, including necessary credits, designed to meet agricultural targets that are set in accordance with the rising curve of production in the unified State plan as a whole.

A recent trend and aim are said to emphasize the voluntary character of the co-operative farms, ease controls and give increasing powers and responsibilities to local managements. In that direction, if the trend were maintained, could be visualized a meeting ground between the method of agrarian reform prevailing in countries like Bulgaria and Romania and a method based on community development principles as cited earlier. In general, however, the two methods have been viewed by their respective proponents as alternative and contrasting systems. Those who follow the community development method fail to see much opportunity for local voluntary self-help effort under a system in which the State exercises such far-reaching control. The authorities in Bulgaria and Romania on their part regard community development as incapable of bringing about the needed transformation of rural society and rural production methods.

Certainly the earlier experience of these countries with land redistribution alone, unaccompanied by any community development programme in the currently accepted sense of the word, was unsatisfactory. In Romania the agrarian reform of 1917-1921 is said to have distributed 3.5 million hectares of arable land to 1,479,000 small peasants, and 1.1 million hectares of pasture land to communes for common grazing ground. But, with no capital and only primitive tools, and peasants were unable to gain enough income to meet the stipulated payments for the land, and in the course of time much of the land (probably 40 per cent in some regions) went back to the original landlords. Here as in Bulgaria, against the background of the inadequate earlier efforts, the period following the end of the second World War witnessed the adoption of sweeping reforms involving not only expropriation but collectivization. A similar development occurred at the same time ^{on a very large scale} in Hungary; nearly 35 per cent of the country's area was requisitioned, mainly for transfer to landless agricultural workers and small estate owners, who were freed of the obligation to pay a redemption price if they joined a producers' co-operative.

To the extent that the community development method has been given consideration in these countries, it has been looked upon as being too concerned with social needs and the construction of simple village facilities rather than with the development of resources and the nation-wide adjustment between agriculture and industry; too scattered and undisciplined;

too wedded to the status quo and dependent on the leadership of "former notables"; too much on the fringe of the problem - in short, as being too feeble an approach. Certain features in the initial programmes of these countries bore some similarity to community development: for example, the first loosely knit agricultural associations where some of the effort of the peasants was pooled, particularly in the peak season; the early partnerships where common ploughing, harvesting and purchase of seeds and fertilizers were undertaken; instances where the members of the co-operatives jointly produced bricks and lime for house building. But these were isolated and transitional features, and did not become part of the main stream of the comprehensive process of economic transformation in the countryside.

In Western Europe and in North America, although the comparatively high technological level precludes the existence of national community development programmes in the form in which they have become familiar in less developed countries, programmes exist that embody the community development concept of joint action by independent local groups and the government for securing general local progress. Similarly, land reform in the redistributionist sense is only seldom relevant, but there is frequently a need to expand the scale of operation in the interest of more efficient production, and sometimes also to strengthen certain supporting services (agricultural credit, extension, etc.) or adopt special measures that will help particular groups (war veterans, for example) to settle on the land. Land reforms in this sense are quite often accompanied and supported by the aforementioned community development action, especially in areas with lower than average income. The undertaking is commonly viewed as one of providing many-sided governmental assistance as a basis for mobilizing the resources of local communities confronted with transition problems; minimizing harm to persons who have to change their accustomed ways of life, such as the farm families living at or below the economic margin; and guiding the process so as to further (or, where more planning is favoured, maximize) development in the public interest. In addition, there have long been in some countries single-purpose co-operative societies in agriculture, sponsored and assisted by the government, such as the

drainage boards in the Netherlands and the consorzi di bonifica which originated in the Po Valley of Italy.

In the Netherlands, noted for its agricultural advance, the pressure to enlarge the farming unit in order to achieve optimum efficiency remains as strong as ever, and land consolidation in several forms is an important contemporary action item. Several official and non-official bodies carry on an educative effort to demonstrate the advantages of consolidation in given conditions, but the initiative in any actual reorganization has to be taken by the local farming community, and local leadership has a determining role to play at every stage. After receiving an application from the community, the Government agency holds consultations for the purpose of preparing a provisional land reform plan. A vote of the farmers concerned then decides whether further positive action should be taken; if so, a representative regional committee is set up to give effect to the reorganization programme.

In villages and areas with relatively high production costs and in regions affected by land reform, pilot areas are set up, where, for a period of about seven years, agricultural guidance is intensified. Attention is also paid to providing domestic and social guidance, in close co-operation with organizations of farmers, farmers' wives, agricultural workers and young people. Apart from the technical and financial progress noted in these pilot areas, the use of the group method in particular is reported to have brought very real changes in the attitudes of farmers wherever the natural leaders among them have wholeheartedly supported the proposed improvements.

In Sweden a community development programme in the strict sense is not considered to exist. At the same time, even in areas where farmers also own forest land, so that living close together is difficult, the lack of physical proximity is not necessarily inconsistent with forming a community of interests and taking common action to promote them. At the present stage, there is constant pressure on the marginal unit in agriculture to "blow out or get out". The authorities, having as the primary goal of the agricultural programme the provision of opportunity

for the farming population to reach and maintain income ^{equality} with other groups, attempt to help competent farmers who show initiative to remain in business on one- or two-family farms by increasing the size and efficiency of their operations. There has also been some increased activity in the exchange, redistribution and consolidation of forest holdings, to overcome the problem of fragmentation. Technological progress is nevertheless obliging many unfavourably situated farms to close down, and reduction in the number of farm units is causing considerable de-population in some areas.

Before 1952, there were about 2,500 communes in Sweden. Some of them, having as few as 500 inhabitants, were then combined, as it was considered necessary to have at least 2,000 persons to support a high standard of civic amenities. Today, however, the communes built up in 1952 are again too small and their resource base is too limited. In 1960, the Swedish Government appointed a committee to develop recommendations for a new rural commune pattern in which the smallest units would have 6,500 to 8,000 inhabitants, the number now regarded as needed for a modern school system and other social facilities. A deliberate attempt is being made to induce industries, especially food processing industries, to establish their works in rural areas. Apart from the direct economic advantages of proximity between production and processing, such decentralization of industry gives an opportunity to surplus workers in rural areas to find non-agricultural employment nearer their old homes. The industrial location studies of the National Labour Market Board, and indeed the national planning as a whole, are concerned with the requirements and prospects of agriculture and forestry as well as of industry. On their side the communes themselves are becoming industry-minded. Sometimes several communes form a planning association to consider jointly how to organize their development so as to utilize most profitably and fully their material and human resources.

In the United States also, the upward pressure on the minimum size of a viable farming unit is in evidence, and outmigration in response to the pull exerted by urban areas continues. With the best of efforts at rehabilitation - as under the Rural Development Programme which started

in 1955, using a community development approach - not all of the 36 per cent of farm families with annual incomes of less than \$2,000 [check figures] can bring their holdings and returns up to an economic level. Through the expanded Rural Areas Development Programme supported by the Area Redevelopment Act adopted in 1961 for rural and urban areas alike, the Federal Government among other things set apart \$100 million for making loans on easy terms to farmers in depressed areas on certain conditions. Nearly 740/^{rural} counties with mostly very small farms, obvious unemployment and underemployment and steady emigration, and the capability of development through systematic planning, have been declared eligible for aid under this Act.

Most of the planning and development work is done by various local associations or organizations, such as co-operative societies, local committees for community development and associations for rural development, which generally integrate their efforts through a county committee. Private groups and foundations, of which there are estimated to be nearly 10,000 in the United States, many of them serving rural areas, also play a part. Federal and State agencies co-operate by providing additional technical and financial assistance for agricultural development; by making manpower studies and providing other technical aids for economic growth; by improving health, educational and welfare services; by exploring opportunities for increased business and industrial operations; and in other ways. Considerable stress is put on building up smaller industries on a dispersed basis, along with other non-agricultural employment opportunities. In this connexion it is of interest that families living on farms in the United States already derive about one-third of their income, and are expected soon to draw the major part, from non-farm pursuits.

E. Africa and the Middle East

In some parts of North and East Africa, as well as the Middle East, the land reform problem still hinges on concentration of land ownership. Instances can even be found where the detribalization of lands has accentuated unequal distribution in recent years. It may be legally permissible in a particular country for a landlord to claim from the

sharecropper three-fourths of the product. Even higher charges have been recorded; these perhaps include payment for water and for goods and services provided by the landlord. Around some of the oases, where all cultivation depends on irrigation, the reform of water rights may prove particularly vital. In West Africa and the general region of Africa below the Sahara, on the other hand, the land tenure problems - and hence also the actual and readily possible relationships between land reform and community development - tend to be of a different kind. The size and superior quality of certain individual landholdings, including land alienated to non-nationals, raise important issues in some of these countries, but the main point of departure for agrarian reforms is rather the inadequacy of traditional communal tenure arrangements.

These communal arrangements are themselves subject to wide variation from place to place, and often within a given country or area they are in a fairly fluid state at the present time. Generally speaking, the tribal concept of individual possession does not extend to land, which along with the weather and water is treated as an inseparable part of the life of the tribal community as a whole. There is a rough understanding, more often a claim, about a tribe's possession of a region, probably indicated by some major natural boundaries. Within such a region sub-groups have even less clearly marked areas within which their member families may move. Naturally the area or the range or beat in which a particular family practicing shifting cultivation has been accustomed to move over the years has even less definition or continuity of use. The family itself is a fairly large group and its head, most often the hereditary head, is respected as the most reliable interpreter of past wisdom. But neither he as an individual, nor his family as a group, is entitled, in the traditional communal system, to the continuous and exclusive possession of any identifiable area of land.

Now, in many areas, the slow pastoral and agricultural rotations that formerly allowed the grass and forest to recover after each period of use, thus resting the soil and supplying natural fertilization, are giving way, under the impact of population growth, to faster cycles that deplete the land. Meanwhile the tenure system provides few incentives for land conservation and improvement. In parts of Libya and Tanganyika, for example, where cattle are raised and life continues largely on a nomadic

basis, communal tenures minimize personal responsibility for preventing destructive overgrazing. Each individual, for reasons deeply rooted in his culture, has an interest, rather, in increasing his herds, which represent for him the basis of his social and economic well-being. In areas where crops are planted, as in Ghana and Nigeria, the farmer may or may not (depending on local custom) have security of tenure on a piece of land for as long as he cares to use it, but in any case he has little incentive to try to keep its fertility up since it is simpler after a few years to ask for and get an alternative plot within the tribal holding.

Thus what is generally needed is a reform of communal tenure that will promote settled farming. This may be carried out on clearly defined individual family farms, where they can be made efficient through attention to education and to investment in agricultural implements, etc., or on larger, consolidated blocks of land, as under a form of co-operative farm ownership or management system. Some combination of these arrangements may prove best suited to the national or regional pattern. No one tenure system can be regarded as superior to others in all circumstances. Theoretically, the establishment of co-operative farming schemes could be expected to meet with less resistance among people accustomed to communal use of the land than among people with a long tradition of individual private property - the peasants of most countries of Asia, for example. On the other hand, the appeal of individual ownership tends to grow strong/ ^{once cash crops are introduced.} (It may also be observed that, in a partly parallel situation in Latin America, the old comunidades have thus far not, except in a few isolated cases, been converted into co-operative schemes of production along modern lines.)

In practice, a number of countries of Africa, particularly the French-speaking countries, have made considerable use of co-operative organizations in agriculture - both co-operative societies for marketing (especially the marketing of export crops like cocoa and peanuts), credit and supply, and organizations that serve as a general frame for individual and traditional group efforts within the farming community.^{4/} This is the case, for example, in Mali, Senegal, the Ivory Coast and the Malagasy Republic. As in other parts of the world, co-operative societies have

^{4/} [cite Digby, Report on the Co-operative Movement in Africa (E/CN.14/133)].

often been started and carried on without reference to any community development programme conceived of as such. However, for the most part the methods followed (the use of animateurs to work among the people, etc.) embody the community development concept, with the accents placed on central leadership and economic objectives. Land being for the most part still plentiful, and importance being attached to the right of the individual to use rather than to own land, tenure problems have scarcely arisen. On the other hand, land reform as involved in the establishment of co-operatively owned or managed farms is making its appearance here and there as Governments look for ways of dramatically raising agricultural productivity. This also is occurring in some English-speaking countries, such as Ghana and Nigeria.

In Ruanda-Urundi, one of the most densely populated countries in Central Africa, the demographic unit is the hill rather than the village. The social units, family groups, are dispersed in a seemingly haphazard way over the hillsides in semi-isolation. The area, some 96 per cent of which lies at altitudes between 1,000 and 2,500 metres, is predisposed to soil erosion and loss of fertility by topography, general poverty of the soil and irregularity of rainfall. Traditional systems of land utilization, characterized by bush burning, shifting cultivation under increasing pressure of population, and overstocking of pasture land, have contributed to accelerated destruction of the soil. Both feudal and clan elements figure in the complex tenure arrangements. Pasture land is generally utilized collectively, and cattle play an important role in the social and cultural background of the people.

Noting that the present land tenure system in Ruanda-Urundi impedes the rational utilization of land and consequently the development of agriculture and stock-breeding, the United Nations General Assembly in its resolution 1606 (XV) recommended that the United Nations and specialized agencies be asked to dispatch an expert mission to study the problem of land tenure and land utilization in this country, in co-operation with the local authorities, with a view to determining how far the present system is prejudicial to social and economic development, and to recommend corrective measures. In the meantime, a United Nations community development expert is being recruited in order to assist the authorities

to plan and launch a national programme of community development in the country.

Experience in the Medjerda Valley of northern Tunisia provides an example of land tenure reforms that paved the way for successful community development projects. This region, generally considered to be the wealthiest in the country, suffered nevertheless from excessive concentration of property in some parts and from fragmentation in others. In June 1958 a land reform law set upper and lower limits of 50 hectares and 2 hectares respectively to landholdings in irrigable zones in this valley, at the same time requiring beneficiaries to develop their land so as to obtain maximum productivity from plots irrigated as a result of the Government having constructed a large dam and network of canals. In order to assist farmers to meet this obligation, the Medjerda Valley Office for Agricultural Development, adopting the principles and methods of community development, set about providing technical training, granting financial assistance and organizing co-operative societies for production and marketing. New housing, schools, clinics and mosques have also been constructed at the main project centres, and social workers and nurses recruited. In a concurrent development at Enfida in the central part of Tunisia, the Government has been engaged, with the help of a United Nations technical assistance mission, in fostering an active community development movement linked with the improvement of semi-arid land through anti-erosion measures and careful attention to water conservation. The land has been prepared for the raising of grain and of olives, almonds, peaches and plums, and has been distributed to some 4,500 heads of families, formerly scattered in 100 little hamlets but now living in one-fifth as many new communities.

The measures set in motion in the United Arab Republic (Egyptian Region) by the Agrarian Reform Decree of 1952 continue to evolve and have aroused widespread comment. First, among the 5 per cent of the country's farmers who acquired ownership of land (usually 2 or 3 acres per family) as a result of the initial land redistribution, the important step was taken of creating supervised co-operatives, membership in which was obligatory. In view of the need to maintain and improve the existing high standards of cultivation, the Government designed these land reform

co-operatives to supply the services that a fully progressive landowner would supply. Executive authority was vested in competent agronomist managers appointed by the Agrarian Reform Organization. A system of uniform (usually three year) crop rotations was introduced together with common ploughing, irrigating and spraying, etc.; standards of cultivation and of living rose. Furthermore - as the case study undertaken for purposes of the present report indicates - these supervised co-operatives appear to have succeeded over the years in also preparing their members to assume a larger measure of administrative responsibility. Decisions in regard to the production and marketing of the main crops, cotton and wheat, as well as in regard to savings, economic and social investments and other financial matters, have increasingly been taken by the board of directors, which is elected by the members from among themselves. The habits of corporate and progressive activity thus formed have influenced other aspects of the life of members as well. An instance is thus provided of a co-operative farming scheme, originating in land tenure reform, which has moved toward decentralization of control and in this respect as well as in its range of activities has exemplified community development principles.

The same system was also extended to new settlements as desert or other waste land was reclaimed. However, the supervised co-operatives did not give full attention to the non-occupational aspects of the life of their members, nor could they affect the non-agricultural population or the holders of agricultural land in small parcels spread all over the country outside the immediate areas of land redistribution. As a part of the earlier national reformist movement there had been some activity in the sphere of specific reconstructional and social welfare activities in rural areas. After independence a systematic attempt was made to unite the welfare and development services in each block of villages as rural combined centres of social service, intended to cover the entire country eventually. About 250 of these were established by 1958, located outside of land reform areas as a rule and covering perhaps one-fourth of the rural population. As a reform of administration these combined centres or units, constituting the most extensive branch of the community development movement in the UAR (Egypt), have produced useful results. They have also brought within the reach of village people a number of centrally provided services, particularly in health, education and social

welfare, as well as considerable assistance in agriculture under the rural economic development scheme launched in 1956. On the other hand, prior to the 1960 local administration law, which undertook to strengthen local government and village-level participation in development activities, less seems to have been done to operate at the basic rural level or to associate representatives of villagers with the active functioning of these centres. The absence until then of popularly constituted local bodies seems moreover to have added to the difficulty of bringing about an adequate co-ordination among officers of the different Government departments concerned.

A recent development of the United Arab Republic's rural programme which is of particular interest began in an experiment at Nawag at the end of 1955. It was found that the farmers long established in that area were willing, after considerable discussion, to join in applying to their operations on their small and fragmented holdings the principle of supervised credit and the key feature of unified rotation introduced earlier on newly transferred land by the land reform co-operatives. Individual holdings might be exchanged in some cases, but generally the farmers with land in only one of the fields preferred to exchange their crops on terms worked out in personal bargains with other farmers. They thus gained some of the basic advantages of larger-scale operation and management without sacrificing individual ownership or losing its incentives. The experiment proved successful in increasing output as well as in promoting co-operative action, and began to be copied in other areas. At the time of launching the country's five-year plan, in 1960, the same formula was widely applied in reorganizing the several thousand ordinary agricultural co-operative societies, which had been chiefly concerned with credit and supply functions and had served mainly the larger landholders. In that year a hundred villages adopted the Nawag system.

Information is lacking on the present position in the Syrian Arab Republic; when studied in the Syrian villages in early 1961, the agrarian reform policy was impressive for its vigour and comprehensiveness. Launched in September 1958, this programme was closely patterned on the reforms in the Egyptian Region, emphasizing (as is true also of the

programme in Iraq) the grouping of farms in co-operatives for production, marketing and credit. However, it provided for much more extensive land redistribution: taken together with acreage to be allocated out of the state domain, redistribution was expected in five years to affect some 60 per cent of the country's cultivated area. Differences also included a more complete and much more widespread reliance on the supervised co-operatives, with a view to stabilizing and raising agricultural output under widely varying rainfall and other physical conditions, and a correspondingly smaller emphasis on the (combined) social service centres. The latter, in view of the spaced-out pattern of villages in Syria and the concept of agrarian reform as predominantly an economic development policy, were only beginning to be organized. Ordinary agricultural co-operatives and the rural credit scheme were also new. Like the integrated economic and community development programmes found in several villages in the Governate of Latakia, these again followed only after the land tenure reform provided the impetus. A United Nations expert was engaged to assist in formulating a ten-year national plan for community development, establishing pilot projects and training village level workers. As a result of the very uneven population distribution, the conferring of ownership rights was accompanied by extensive resettlement operations, largely in the northeast. For example, at the beginning of 1961 forty new villages were under construction in the Jezira to receive farmers from the congested Hama region, where the holdings allocated in the first year of the reform proved to be too small.

In Iran, several of the large blocks of Royal and public lands have been distributed among farmers, many of whom were former tenants or agricultural labourers. They soon showed that, as owners, they were willing to work hard; however, lacking any experience of independent husbandry or of corporate life of their own, they needed help if they were to make good as successful farmers and as progressive members of the community. A village worker is accordingly being attached to each village within the land reform area, to explain to the beneficiaries the implications and responsibilities of the land reform measures and give assistance on problems of farming and of social welfare. Institutional

progress - for example, in setting up co-operatives - has been rather limited to date.

F. Asia and the Far East

For Asia as a whole, the dominant problem in rural development is the heavy pressure of population on the land. Efforts to meet this problem by the ingenious application of intensive farming methods have had considerable success in some countries, notably in Japan and parts of China. Additional incentives have been provided for the expanded production and marketing of farm products wherever land-to-the-tiller reforms have converted tenants into owners. Much of the cultivable surface of Asia, however, is divided into farms that typically consist of only one or two hectares or less and are often further subdivided into many tiny fragments; hence the question ultimately arises as to the compatibility of such small-scale farming with the demands for increased income and for its more equitable distribution between urban and rural populations. In the less populous or technically less advanced countries, other questions are generally more relevant at the present time. However, in Japan, a decade after the culmination of its path-breaking reform of land tenure, this question increasingly engages attention. It may be noted that the Japanese reform was carried through without any formal community development programme, although representative local land committees played an important part.

Experience in Taiwan illustrates the mutual interaction between land reform and local activity of a community development type. (The latter term is not in official use.) As regards rural reconstruction and village welfare, there have been several local institutions of farmers helping to carry out programmes of intensive improvement. The most important of these, on the whole, is the long-established system of farmers' associations, now reorganized as multi-purpose co-operative associations with mainly economic functions including the provision of farmers' supplies and of extension services, but with responsibilities also in relation to home economics and to general community life. When the

Government's land reform policies were announced (the successive phases came into effect in 1949, 1951 and 1953), they received wide publicity through the medium of radio, local newspapers, farmers' magazines, etc. Local bodies joined their efforts with those of governmental agencies to educate all sections of the rural population concerning the measures involved. Not only was a general consensus thus developed in support of

land reform, but its implementation in the years since adoption has been better assured. For example, farm tenancy committees have been strengthened in order to improve the tenants' position, and above all

the new ownership opportunities, have in turn acted to dispel apathy and make the beneficiaries much more inclined to adopt new ideas and practices such as those recommended by the farmers' associations, especially as the farm credit programme has helped to provide the practical means. A study undertaken in Taiwan has, for example, shown that: (1) programmes of community participation in construction of socially useful works became more universally accepted after land reform; (2) the common people, small holders and workers began to take more interest in practices seeking to promote better public health and sanitation; (3) a much larger number of actual cultivators welcomed and was benefited by agricultural extension services; (4) more cultivators were ready to join co-operatives and to participate actively in their functioning; (5) women began to show more interest in programmes connected with the home; and (6) the working of rural civic organizations also became more broadbased and more progressive as all sections evinced active interest.

to simplify
the
procedures
for
settling
land
disputes.

The Republic of Viet-Nam early in 1960 made an effective beginning in introducing farmers' associations patterned on the Taiwan model. Moreover, since May 1961 the responsibility for the farmers' associations has been located in the same ministry as the responsibility for land reform. Previously there had not been much connexion between the land reform movement and the community development programme, except that construction projects of the community development type were vigorously pushed in resettlement areas. Construction activity - the large-scale building or rebuilding of roads, canals and dykes, as well as of schools, health centres, markets, etc. - has been the main feature of the country's community development programme. This fact, and the substantial labour contributions requested of the people, reflect the manifest need to set

up the physical infrastructure of rural development as quickly as possible.

Land reforms undertaken elsewhere in the Asian region have made less progress, and community development activities, together with economic and social development generally, have been substantially handicapped in a number of countries as a result. In the Philippines, the land reform programme embodied in legislation has had limited scope in practice; incentive effects have been noted in areas where land redistribution has taken place, but these areas have been comparatively few. One of the limiting factors is the requirement that tenants on large estates who desire to have the legislation applied to a particular estate have to present an application to the Government. The difficulties in the way of comparatively resourceless and dependent tenants invoking land reform measures in this way are almost insuperable, in the absence of a strong movement for building up a progressive and democratic community among the rural population. The community development programme, established in 1956 under the Presidential Assistant on Community Development and grown to the point of employing 1,375 field workers by mid-1961, has, however, succeeded in considerably strengthening local government in some areas by training local leaders to fulfil their responsibilities under the Barrio Charter, which came into force at the beginning of 1960. Community development principles and methods have also been applied in some of the land settlement schemes of the Philippines Government, such as the Central Palawan settlement project on the island of Palawan, and the San Luis project in Pampanga, Luzon, where land reform and community development agencies co-operated successfully in instituting improvements that brought about the eventual return of former residents who had abandoned the region at the time of Hukbalahap unrest.

Indonesia has announced quite a comprehensive programme of community development, but the technical and organizational staff and other resources required to carry it out are still largely lacking. The same limitations appear to operate in the field of land reform, where land consolidation and the colonization of thinly populated parts of the country are principal needs. The joint success of land reform and of community development

thus awaits a strengthening of the developmental resources at the disposal of the state and an activation of its development programme. In the villages the present system under which leadership is exercised by an elected head who normally serves for a lifetime, and appoints most of his aides, is likely to have to be revised and also supplemented at higher levels. Efforts to bring this about are currently under contemplation in Indonesia.

Ceylon has an active rural development programme, concerned mainly with social rather than economic improvements, which originated as early as 1947 and which is now functioning through some 8,000 rural development societies, supported by more than 3,000 women's societies. The relationship of this movement to land tenure reform and improvement of the agrarian structure has been largely indirect. Separately organized co-operative societies, subsidized by the Government, have provided the main instrument for popular participation in agricultural development following the adoption of land settlement and village expansion schemes. In regard to rice cultivation, the Paddy Lands Act of 1958 created special cultivation committees composed of representatives of tenant-cultivators, owner-cultivators and landlords; these committees were given statutory powers relating to the regulation of cultivation, control of irrigation, consolidation of holdings, establishment of collective farms, etc., and were also encouraged to undertake the construction of minor irrigation works on a Government-assisted self-help basis. On the other hand, the rural development societies on their part have often been active in pointing out the need for village expansion and in helping to build the additional roads, community wells, houses and other structures required, and they have also assisted in selecting landless persons in the village to participate in the colonization schemes. Again, where such colonies or settlements have been established, the formation of new rural development societies has been encouraged in order to foster a sense of community among the settlers and carry out needed community projects.

India's community development programme, which is not even remotely approached in size by any other in the world, is expected to cover the whole country by 1963. It is a programme largely concerned with agricultural

improvement but at the same time one that seeks balance and compromise between the objectives of economic development, social justice and democratic growth. The country's land reform plans are proceeding at an uneven pace in the several states; legislation was expected to be adopted by all states by the end of 1961, but implementation has frequently lagged. The complexity of the problems involved in introducing agrarian reform and reconstruction in any society of small peasants is well demonstrated in this vast laboratory. For example, the overall scarcity of land in relation to the demand for land ownership is indicated by findings of the National Sample Survey in 1954, which showed that, in order to provide just two acres of land (irrespective of its quality) to all rural households aspiring to land ownership, it would be necessary to impose a ceiling on individual ownership of 20 acres (again irrespective of the quality of the land); the need for a large expansion of non-agricultural employment opportunities is here clearly apparent. Another aspect is brought out by the findings of a case study undertaken in Gujarat State for purposes of this report. As might be expected, tenure status was shown to be more important than size of holding in influencing decisions with respect to land improvement; i.e., the tenant who did not own the land had not much incentive to invest in its improvement, no matter how big the holding. On the other hand, contrary to what had been found in a similar study in a nearby area seven years earlier, non-ownership was less of an obstacle than small size of holdings when it came to the adoption of improved cultivation practices - such as the use of improved seed and fertilizer, stressed by the community development programme's village level workers. To the extent that the sample was representative of conditions elsewhere in India, these findings can perhaps be taken as indicating some progress in improving the conditions of tenants and some further sharpening of the economic issue of scale of production.

Even now, despite the impressive growth of India's community development programme, the objective of reaching each farmer and helping him to plan for the best utilization of his land is far from being attained, particularly in the case of small farmers. The services of personnel, as well as of institutions like co-operative associations, tend to be restricted in their coverage and their scope. Progress along all these lines is being made, and there is little doubt that, where land reform has

actually been carried out, community development has helped to make it more fruitful to the beneficiaries. Moreover, since the community development organization, under the policy of democratic decentralization, is evidently on the road to being merged with the local government panchayats, and the latter are being given some responsibilities in some states in connexion with consolidation of holdings as well as other aspects of land reform, the lines of association are probably beginning to draw a little closer. But, by and large, land reform has thus far been in process of being brought about without any synchronization with the progress of community development, while people concerned with community development have generally held aloof from land reform measures. This has been helpful neither to land reform nor to community development. It is recognized that the purposes of land reform have often been defeated by unsocial behaviour on the part of former landowners. This problem would have been minimized if community development organizations had done more to advise tenants and new owners about their rights and had created the necessary strength of local opinion. Moreover, even the larger landholders, who tend to benefit the most from the economic aspects of the assistance provided by community development, are sometimes deterred from making further investments and improvements in their land because of the social tensions resulting from the unresolved land tenure situation. Here again the point is demonstrated, with regard to land reform and community development, that one without the other is only partially successful in the best of circumstances.

The tendency to pursue land reform and community development as two separate and independent programmes of rural reformation is visible in Pakistan also. The Village Agricultural and Industrial Development (Village AID) programme was launched in 1953 and achieved extensive coverage. It became closely linked in the villages with the national Basic Democracies programmes inaugurated in late 1959, and was then requested to help also in implementing certain land reform programmes such as the consolidation of fragmented holdings. However, its separate organizational existence was recently terminated and its staff scheduled for gradual absorption by the Agricultural Development Corporations newly established in both provinces, the Ministry of Agriculture, Basic Democracies, co-operatives,

etc. A study conducted for this report with particular reference to a small sample area in West Pakistan found that Village AID workers were more easily able to organize activities in areas where landownership was widespread, and that they reported new owners to be eager to increase production; but they did not, on their part, explain the purposes of reforms (to tenants, large owners who had to surrender land, small tenancy/owners affected by compulsory consolidation, or others) or help to settle any disputes arising out of these reforms. It was also to be taken into account, however, that the earlier land reforms had been introduced five years or more before Village AID was brought to the villages in this sample, while the more far-reaching reforms of 1959 had been in effect too short a time to have had spectacular results.

G. Special Land Tenure and Community
Development Problems of Nomadic and Tribal Groups

Apart from land reform and community development issues in the usual sense, there arise in a number of countries in various regions of the world special problems posed by the existence of tribal or nomadic groups within their territory, groups that have yet to create the very foundations of a settled and forward-looking economy. In seeking to bring about constructive adaptations by and for the people concerned, it is important to ensure that the essential values of the land reform and community development movements are not lost sight of. For purposes of this review, some illustrations are chosen from Africa and the Middle East.

Solutions are facilitated if the special transition needs of tribal groups are not of massive size. For instance, the United Arab Republic (Egypt) has a tribal population of about 55,000, and the Government can, with suitable international assistance in personnel and material, help bring about their early absorption into the current of national progress. The large schemes of resettlement and of progress under co-operative arrangements which are being made for the old and new lands under irrigation will afford suitable opportunities for such a programme.

Israel has within its borders quite a sizeable group of Bedouin tribesmen who are still largely addicted to a wandering life, and who live on a very poor standard of productivity and social amenities. The progress made by Israel in regard to settlements and agrarian development

would provide additional helpful lessons if utilized to bring about an early rehabilitation and development of Bedouin tribesmen. The personnel and organization needed for the purpose are available in good measure with the Government and could in any case be strengthened if necessary. A well planned, well endowed and well executed plan of rehabilitation of this tribal group would be of great assistance to similar projects in other countries and other areas.

Sudan, which has gathered rich experience in regard to agrarian development in Gezira and elsewhere along the Nile, has some diverse problems of resettling tribal groups within its area. For example, the need to rehabilitate the Hadendowa tribesmen in the North-East has been engaging the Government's attention for some time. A special educational, social and economic programme implemented through local official agencies was introduced, and arrangements were established for consulting and co-operating with tribal representatives, some of whom are very capable and progressive leaders, in the planning and carrying out of these measures. The relatively slow progress of rehabilitation of these tribesmen, who number more than 100,000, has been causing some concern, however. That their lot has generally improved and that they are finding a growing interest in a settled form of life is shown by the fact that their numbers are increasing, both through natural addition and through incorporation of smaller groups, and by the fact that several among them have begun to have a second home on a settled site in which social amenities are provided. But, in the absence of occupational resettlement, all other efforts at promoting better agricultural practices or more progressive social life among them are proving somewhat ineffective. The natural conditions of the region where they live, along the Gash river, limit the amount of whole-time or secure agricultural employment that can be offered to them. Historically, this is one of the main reasons why, although many other groups got settled in other parts of the Near Eastern region, the Hadendowas continued to be pastoral and nomadic. Not only for cultivation, but also for grazing and to find drinking water for their cattle and for themselves, these people have to be on the move - following as a rule a fixed cycle and a fixed route, and with all their cultural and social habits, including their own form of strong community

organization, bearing the stamp of these basic aspects of their physical and occupational routine. How to make their stock raising and cultivation more productive, how to provide for those who cannot find employment in traditional occupations, and how to approach their minds so that they may see the opportunities and advantages of a new way of life is the question. The experience already gained in Sudan provides the basis on which a more comprehensive survey of the situation in all its aspects might proceed to the point of framing satisfactory programmes of developmental action.

Further south in Sudan's Equatoria province, in the heart of the African continent, the country is ideally situated for grazing but cattle have been almost non-existent for some time owing to the ravages of the tsetse fly. Some members of the local tribes have therefore turned to shifting cultivation, although most tribesmen prefer hunting to this precarious way of subsisting. A crop such as cotton in no way answers the felt needs of the people, and efforts to promote its cultivation have not evoked much response. Yet the experience of several social workers shows that these people are responsive to opportunities to lead a settled life of productive activity linked with the corresponding economic and social services. A major educational undertaking, in which the Government could be assisted by international agencies, might supply the social energy behind a suitable programme of economic transformation, based on the resources of the land and the efforts of the people.

Reference may be made again to the broad problem of the evolution of communal land tenure arrangements, to which attention was given in an earlier section. This characteristic problem may find varying solutions in different parts of Africa. In the Mashona tribal area of Southern Rhodesia, a systematic attempt is under way to transform the vague and general concept of tribal possession and individual use by registering present users, along with the area and boundaries of their customary land. In fixing particular persons as registered users of a given piece of land, prescriptive rights are generally followed but adjustments by the allotment of other land are made whenever necessary. The registered individual title-holder then gets a deed or certificate; although he cannot mortgage or sell the land, it may pass on succession to the person named by him. This is a new experiment and, except as exporters make advances to

cultivators of exportable crops, the institutional aids -- credit, agricultural supplies, marketing facilities and technical advice -- needed to make individual farms increasingly productive have not kept pace. A plan to start co-operative organizations to meet these needs has yet to be fully implemented.

From these illustrations, as from others that might have been chosen, it is clear that the drawing of tribal and nomadic groups into the mainstream of national advance requires an intensive and comprehensive effort. Members of tribal communities have been adjusted to particular ways of thought and action which their institutional life has expressed and supported. When the whole complex of values and achievements is to be altered to suit the requirements of modern technology and of interdependence on a national or even a worldwide basis, the effort at transformation will have to touch all aspects of individual and social life in a simultaneous and balanced way.

1962 JAN -8 AM 9:37

RECEIVED
DANK HALL ROOM