

CHAPTER 4

LAND REFORM APPROACHES: AN INTERNATIONAL PERSPECTIVE

4.1 INTRODUCTION

The preceding chapter dealt with literature relevant to administration of the LRAD programme. The purpose of this chapter is to give an international perspective on the approaches to land reform adopted by different countries, with special emphasis on the implementation of land redistribution policies.

It is herein acknowledged that due to historical differences between countries in terms of the socio-political background impacting on access to land and other resources, and the nature of political settlement reached, the land reform policy options faced by these countries were not similar and in the end different policy choices were arrived at. The chapter will therefore not provide a comparative analysis of countries, but use case studies of democratic states that are implementing market-led land reform on a pilot or full-scale basis.

The emphasis will be on highlighting the land reform approaches adopted by these countries, as well as draw lessons on the administrative inadequacies, with particular reference to the South African situation. The chapter will be confined to case studies from Brazil and the Philippines. South Africa, Brazil, the Philippines, and Columbia have adopted a market-led approach to land reform (El-Ghomeny in Tilley, 2007:9), with Brazil and the Philippines ranking alongside South Africa as some of the countries with the most unequal distribution of land in the world (Tilley, 2007:10,15).

4.2 THE IMPERATIVES FOR LAND REFORM

Land reform in the broad but populist sense refers to a redistributive policy instrument of government, targeted at property rights in agricultural land, and is usually undertaken and driven for political reasons (Bernstein in Ntsebeza and Hall, 2007:27; Callison, 1983:9). In another definition that satisfies market imperatives, *land reform* is also considered as the “effort to re-arrange, re-configure, or re-define existing tenure relationships to allow land to become a marketable means of production” (Hirtz,

1998:249). De Janvry (1981:384) defines a *reform* as “an institutional innovation promoted by the ruling order in an attempt to overcome economic or political contradictions without changing social relations”. Though the reforms could have their origins in political pressure exerted by the oppressed or from initiatives of the dominant class, power and class relations between the two classes are usually not materially affected by the reforms (De Janvry, 1981:385). What De Janvry (1981:385) implies is that agrarian and land reforms, which are the outcome of a political process, will not necessarily result in changes in power and class relations between the land owners and landless since land owners can use the power at their disposal (e.g. derived from ownership of resources and control of the economy) to frustrate the reforms.

Land reform or the rearranging of relationships pertaining to land property rights is one of the elements of the bigger policy mix of agrarian reforms pursued by any country (Hirtz, 1998:248). The reforms in land property rights can be undertaken in order to achieve either of or a combination of the following, namely:

- to shift power in terms of ownership of resources from land owners to the landless (Tilley, 2007:2);
- to increase the popularity of government among the poor who in most cases happen to be in the majority, by reducing the power of the few over many;
- to achieve more equity and social justice in terms of ownership of the production resources (Callison, 1983:9);
- to enhance the livelihood of and security for those who work the land but do not have property rights thereof; and
- to bring about a more productive agricultural sector (Bernstein in Ntsebeza & Hall, 2007:28).

According to Deininger and Binswanger (1999:248) the current views regarding land issues have reached consensus on the following four key principles:

- owner-operated family farms are desirable both from efficiency and equity points of view, a view which formed the conceptual basis of the World Bank’s Land Policy published in 1975 (Deininger & Binswanger, 1999:249);
- securing property rights to land is important as it elicits individual or group effort and investment on the land, because it provides a basis for land transactions;

- the need to have a policy and regulatory regime that promotes transfers of land for more efficient utilisation; and
- where a dualistic form of land ownership (characterised by the existence together of large and small land holdings) has been created by non-market forces (government interventions as well as dispossessions by various means), an egalitarian system of asset distribution as well as redistributive land reform should be recognised as having a positive impact on redressing the imbalance.

4.3 REDISTRIBUTIVE LAND REFORM

The history of agrarian reform extends as far back as the medieval, ancient and biblical times (Tuma, 1963:47). In the context of agricultural development, the agrarian question of capital, or alternatively, the contribution of agriculture to industrialisation, centred on firstly creating conditions for improved labour productivity in existing farm operations through a transition phase from feudalism to agrarian capitalism, and secondly how the improved productivity in the agricultural sector can be used to stimulate industrial development (Bernstein in Ntsebeza & Hall, 2007:30).

The history of land reform and the debates around it pre-date the debates around development discourse in its contemporary form as a branch of policy science confined mainly to the notion of increasing economic growth and reducing poverty (Bernstein in Ntsebeza & Hall, 2007:27). Though there are two main approaches to land redistribution, namely state-led and market-led, Feranil (in Moyo & Yeros, 2005:257) cautions against the bipolar tendency of viewing agrarian and land reforms as simply those driven purely by the state as well as those driven by markets. As Franco (2008:997-1003) has demonstrated with the Cacique field, the juridical field, and the highly fragmented social field, agrarian and land reform policies are subject to the dynamics of power struggles in society and beyond, which has the profound effect of re-examining, revising and even overturning current formal and informal arrangements (Feranil in Moyo & Yeros, 2005:257-258). However, since this research is not about the origins and merits/demerits of agrarian and land reform measures, the discussion below will only give a broad description of the two types of land redistribution, with emphasis given later on, on the implementation of market-led reforms in other countries as is the case with post-apartheid South Africa.

Land reform is about “...redistributing land ownership from large private landowners to small peasant farmers and landless agricultural workers” (Griffin, Khan and Ickowitz in Borras, 2005:92). *Land reform* also entails “...a redistribution of productive assets that would in turn result in a redistribution of income and an improvement in the living standards of the poor, particularly in terms of their food security, while not reducing aggregate output over the long term” (Liamzon, 1996:318). For land reform to be truly redistributive, it must:

- “Effect on a pre-existing agrarian structure a change in ownership of and/or control over land resources wherein such change flows strictly from the landed to the landless and land poor classes or from rich landlords to poor peasants” (Borras, 2005:92). This change includes the right to alienate land (Borras, 2005:93), less formal arrangements as in tenure reform (Putzel & Herring in Borras, 2005:93), and the “control over the nature, pace, extent and direction of surplus production and extraction, and the disposition of such farm surplus” (Borras, 2005:92).
- Landlords must not be paid “...100 per cent spot cash for 100 per cent (or higher) of the ‘market value’ and where the buyer shoulders 100 per cent of the land cost including the sales transaction costs” since this would constitute a simple real estate transaction, which will be unfavourable to the poor and landless (Borras, 2005:94).
- Government must make provision for post-settlement or post-transfer support in order to ensure that the ideals of food security, poverty reduction, income redistribution and sustainable production as described by Liamzon (1996:318) earlier, are achieved. In terms of Tilley’s (2007:2) observation, land reform beneficiaries who do not have access to training from agricultural extension staff, markets, credit, and technology will soon find themselves in a deepened state of poverty and indebtedness, which will force them to sell their land, where in most instances the land reverts back to the landed elites.

A state-led approach is characterised by the centrist, dominant role or involvement of the state in the formulation and implementation of agrarian and land reforms (Tilley, 2007:6-7). This approach is mainly supply driven, and can involve expropriation without compensation of the land by the state, for distribution to peasant farmers (Borras,

2003:368), or compensation to landlords who have been dispossessed of their land (Ciamarra, 2003:4) an amount “between zero and somewhere below the ‘market price’ of the land” (Borras, 2005:93), with zero the same as expropriation without compensation. Beneficiaries of the state-led approach to land reform can either receive the land for free, or can pay government back over several years an amount “between zero and somewhere below the acquisition costs” (Borras, 2005:93), at favourable interest rates (Ciamarra, 2003:4), with zero payment the same as receiving the land for free.

Market-led agrarian reform, which has been vocally promoted by the World Bank (Lahiff, Borras & Kay, 2007:1421), involves “...beneficiaries, assisted by the community and local government, receiving a combination of grants and loans from the public and private sectors which they use to negotiate the purchase of land from willing sellers and to set up viable farms” (Ciamarra, 2003:7). Exponents of a market-led approach (Deininger & Binswanger, 1999:267; Van Zyl, Kirsten & Binswanger in Borras, 2003:371) consider the role of government as that of “...establishing a comprehensive legal, institutional and policy framework which will ensure a level playing field for all players”. The model assumes a ‘demand-driven’ and decentralised form of implementation, where only land of willing sellers would be identified for purchase by willing buyers (Borras, 2003:371). The rationale for a market-led land redistribution is its apparent efficiency (Thwala in Rosset, Patel & Courville, 2006:67), due to its ability to draw in ‘family farmers’ that are assumed to have the ability to operate small farms efficiently due mainly to the availability of family labour, as well as low cost to the state (Lahiff *et al.*, 2007:1423).

State-led land reform is criticised for being too expensive, requiring the creation of a large public sector, and involving complex planning and implementation within an already cumbersome bureaucracy. It is considered to have a negative effect on the administrative capacity of the state, and of promoting corruption in the sense of officials benefiting people who do not qualify (Lahiff *et al.*, 2007:1422-1423).

Market-led land reform is non-confrontational and promotes a collaborative atmosphere (Deininger & Binswanger, 1999:266). Due to the fact that state-led land reform involves expropriation, this creates resistance from landlords who engage in protracted and costly

legal battles, which slow down implementation, and while the legal battles are raging uncertainty is created over whether capital and other investments should be made on the land or not (Lahiff *et al.*, 2007:1422). Market-led land reform stimulates rather than undermines land markets (Deininger & Binswanger, 1999:266). State-led land reform is assumed to undermine land markets with restrictive measures such as ceilings on land size, restrictions on land rentals and sales resulting in less than equitable distribution of land (Lahiff *et al.*, 2007:1421).

The key features of state- and market-led approaches to land redistribution are presented in Table 4.1.

Table 4.1: Key features of state- and market-led approaches to land redistribution

Issue	State-led	Market-led
Getting access to land		
Acquisition method	Coercive, cash-bonds payments at below market price	Voluntary, 100% cash payment based on 100% market value of land.
Beneficiaries	Supply driven, beneficiaries state selected	Demand driven, self-selected
Implementation method	Statist-centralised, transparency and accountability of a low degree	Privatised-decentralised, transparency and accountability of a high degree
Pace and nature	Protracted, politically and legally contentious	Quick, politically and legally non-contentious
Land prices	Higher	Lower
Land markets	Land reform: cause of/ aggravates land market distortions, progressive land tax and land titling programme not required	Land reform: cause and effect of land market stimulation, progressive land tax and titling programme required
Post-land transfer farm and beneficiary development		
Programme sequence, development and	Farm development plans after land redistribution. Protracted, uncertain	Farm development plans before redistribution. Quick,

extension service	and anaemic post-land transfer development, extension service statist-centralised and inefficient	certain, and dynamic post-land transfer development; extension service privatised, decentralised and efficient
Credit and investment options	Low credit supply and low investments	Increased credit and investments
Exit options	None	Ample
Financing		
Mechanism	State 'universal' subsidies, sovereign guarantee, beneficiaries pay subsidised land price, 'dole-out' mentality among beneficiaries	Flexible loan-grant mechanism, co-sharing of risks, beneficiaries shoulder full cost of land, farm development costs carried by grant
Cost of reform	High	Low

Source: Borrás (2003:374)

Table 4.1 is an attempt to draw a neat distinction between state-led and market-led agrarian and land reforms, a reflection that ignores the possibility of the existence of hybrid forms of agrarian and land reforms. These are generic statements, of which, in the view of the researcher, some can be disproved if evidence based on individual, country-specific case studies can be provided, as will be done with the case study of the North West Province of South Africa.

4.4 LAND REFORM CASE STUDIES

The discussion below briefly outlines the experiences of Brazil and the Philippines with regard to implementation of the World Bank-sponsored market-led agrarian reforms. Unlike the case of democratic South Africa where market-led agrarian reforms as conceived by the World Bank were not preceded by state-led reforms, in these countries market-led agrarian reforms evolved from and still exist side by side with the state-led agrarian reforms (De Medeiros, 2007:1501; Lahiff, 2007:1577).

4.4.1 Background to land redistribution in Latin America

The history of problems regarding disparities in land ownership as well as land reforms in Latin America can be traced back to the period of colonisation, a phenomenon which brought about an unequal and exclusionary agrarian socio-economic system (Kay, 2001:742). Latin American countries were colonised by Iberian people, who displaced indigenous people from their ancestral land and in the process secured large parcels of fertile land for themselves (Kay, 2001:743). Much of the displaced peasant communities were largely confined to marginal areas. Large landed estates (latifundia, hacienda, estancia or plantations) were reserved for the colonising landlords who, as a result, established servile social relations of tenant and labourer between peasants and landlords, where forced labour and slavery were common features during the early colonial period (Kay, 2001:743; Sauer, 2006:2). Peasants were given access to some of the cultivable land or pastures of the large estates, but had to pay rent to the landlord through unpaid labour services, produce, or even money (Kay, 2001:744).

The dominance of the repressive landed estates was further given impetus by a new wave of opportunities and demand created by the export market in the second half of the nineteenth century for some of the crops produced by the estates (Kay, 2001:744). In an attempt to take advantage of the lucrative market created by the demand for export crops, the landlords engaged in further processes of dispossession by either extending the boundaries of their estates into land owned by peasants, or converting some of the independent peasants into tenants (Kay, 2001:744; Sauer, 2006:3). These and other repressive measures were met with protests from peasants, who pressed their demands for change to be brought about to solve their problems of high rents, reduction of free labour services, better wages, less onerous sharecropping arrangements, and better working conditions in general (Kay, 2001:744). However, the majority of Latin American countries have not been successful at implementing land reform programmes due to the power and influence of landed elites in the affairs of the state (De Janvry & Sadoulet, 1989:1399; Kay, 2002:1088-1091).

4.4.2 The Brazilian case

4.4.2.1 Brief history of the land problem

The land problem in Brazil can be traced back to the colonisation of Brazil by the Portuguese, whereby sesmarias (large tracts of land) were distributed by the Portuguese king in order to ensure control of the colony, as well as to ensure that enough materials for the export market were produced for the benefit of the colonial power (Dean, 1971:606-607; De Medeiros, 2007:1502). The disparities in terms of land ownership and associated power relations were carried over unchanged into the post-colonial period (De Medeiros, 2007:1502).

Political movements were pushing for agrarian reform to be treated as one of the major elements during the process of democratisation of Brazil (De Medeiros, 2007:1502). It thus came as no surprise when in 1946, the Communist Party succeeded in introducing in the constitution of Brazil a text that states inter alia that "...the use of property is subordinated to social well-being", paving the way for expropriation of property for social interests subject to a fair monetary compensation being given (De Medeiros, 2007:1502; Sauer, 2006:4). In the international arena, a project of international co-operation for development was introduced in 1948, designed to prevent what were considered economically backward countries recently liberated from their European colonisers from going the communist route in their process of national development (Veltmeyer in Moyo & Yeros, 2005:294). With the advent of the Cuban revolution in 1959 and its subsequent alignment with the Soviet Union, this project was redesigned to contain what were perceived to be peasant-inspired revolutions in many parts of the Third World (Kay, 2001:745; Veltmeyer in Moyo & Yeros, 2005:294). To that extent the United States (US) administration launched the Alliance for Progress project to bring about managed reforms in Latin America and to avoid socialist-inclined revolutionary changes (Kay, 1998:11).

Substantive state-led land reforms took place in Brazil from 1962 to 1964, not as a result of the conviction of the state and the ruling elite of the need for reforms, but as a response to mass peasant mobilisations and the associated threat of social revolution (Veltmeyer in Moyo & Yeros, 2005:290; Wolford, 2005:242). However, by the mid-1960s,

the US administration shifted agrarian policy from land redistribution as advocated earlier in the Alliance project, towards social and technological modernisation of latifúndios, with support for military dictatorships to maintain this policy change (De Janvry & Sadoulet, 1989:1399; Moyo and Yeros, 2005:22; Sauer, 2006:3).

It is against this background that these reforms were also countered by large landholders who, while advocating for technological modernisation of landholdings, were defending their rights to property (De Medeiros, 2007:1502). The conflict between the revolutionary and counterrevolutionary forces was one of the important factors that led to the military coup of 1964, which resulted in the reorganisation of the agricultural sector by modernising it with limited land redistribution and displacement of the ruling elite (Moyo & Yeros, 2005:22), as well as restricting the liberties and repressing the struggles of the landless (De Medeiros, 2007:1502). In spite of the military government having introduced the Land Statute of 1964 as a way of dealing with the cases of expropriation of privately owned land, successive military governments that followed until the year 1985, did not implement any meaningful land redistribution programmes (Mattei in Moyo & Yeros, 2005:342). The agricultural development models implemented since the 1960s had the opposite effect of concentrating land in the hands of the few (Fernandes in Moyo & Yeros, 2005:319; Sauer, 2006:3). The following section outlines the events that facilitated the introduction of conditions favourable for implementation of land reforms in Brazil, which reforms are a hybrid model characterised by parallel programmes of “state led initiatives prompted by pressure from rural social movements”, and a market-led approach, which also makes provision for the state to provide beneficiaries with grants and loans (Tilley, 2007:7).

4.4.2.2 Transition to democratic government

The transition to democratic rule began in 1985, which period saw the introduction of a new constitution in 1988 with explicit commitments to agrarian reform (Mattei in Moyo & Yeros, 2005:343; Sauer, 2006:4). The 1988 Constitution also guaranteed the value concept of federalism (Mora & Varsano, 2001:3). The system of democracy entailed “...political, fiscal and administrative decentralization, along with better public services, economic growth and income redistribution” (Tilley, 2007:10; Souza, 1997:33).

In terms of intergovernmental relations, two issues, namely fiscal reform and concurrent responsibilities, were very salient in terms of regulating the relationship between the federal government, states and municipalities (Mora & Varsano, 2001:3; Souza, 1997:35). The federal Government remained responsible for the equitable distribution to states and municipalities of all national revenue raised, based on a formula agreed to by the three levels of government, to deal with vertical and horizontal disparities in resource endowment (Mora & Varsano, 2001:3; Souza, 1997:41). The bulk of the money went to the states, which had more influence in congress by virtue of the power possessed by the state governors (Souza, 1997:38,43). However, the bulk of responsibilities as defined in the Constitution were either held by the federal Government or concurrently between the federal Government and the states (Souza, 1997:43). Agriculture and agrarian organisation were concurrent functions according to the Constitution (Mora & Varsano, 2001:4; Souza, 1997:44.), and were together with industry, commerce, services, science and technology, and communication categorised as sectoral policies to which:

- the federal government contributed 58,9% towards their funding in the year 2000; whereas
- the states and municipalities contributed 33,0% and 8,1% respectively (Mora & Varsano, 2001:4).

Previously, the different governments under civilian rule introduced state-led agrarian reform to settle landless families in the land that the state had expropriated (Mattei in Moyo & Yeros, 2005:343). This reform was implemented by the National Institute of Colonisation and Agrarian Reform (INCRA). However, the expropriation process was frequently undermined as follows:

- by land owners who resorted to courts, for legal recourse to stop or reverse the expropriation order;
- in some instances land owners, whose properties lost value due to the termination of fiscal incentives and increased imports, favoured and encouraged the expropriation route because it was the best option for them to get better deals in terms of land price; and
- in rare cases land owners engaged in fraudulent transactions with INCRA officials to have them compensated for their expropriated farms at prices far higher than the prescribed norms (Alston, Libecap & Mueller, 2000:166-167).

4.4.2.3 Transition to neo-liberal macroeconomic policies

The move towards implementation of neo-liberal policies from 1990 onwards coincided with the parallel process of agrarian reforms (Wolford, 2007:559). Wolford (2007:559) is of the opinion that neo-liberalism facilitated the implementation of land reform. The conjuncture of events that facilitated land reform was a combination of:

- the creation of political space with the advent of democracy; and
- the implementation of neo-liberal policies such as privatisation of public services and withdrawal of many forms of social support which tended to cause harm to those already marginalised in the form of increased structural unemployment (Wolford, 2007: 560).

This led to the rise in activity of grassroots movements, in particular the Movimento dos Trabalhadores Rurais Sem Terra (MST or Landless Rural Workers Movement), which were able to press forward their demands for access to land and other reforms (Wolford, 2007:560). The activities of grassroots movements also involved massive land occupations (Fernandes in Moyo & Yeros, 2005:336), which process might have been given impetus by the conjuncture of events described above, as well as the structural unemployment created by the inability of industrial firms to absorb labour shed by the agricultural sector that was struggling to compete in a deregulated and globalised agro-food sector (Domingos, 2002:3).

In substantive terms, neo-liberal policies led to reduction in support for agricultural producers in terms of subsidies and other protective measures, thus exposing them to competition from the globalised agro-food market (Alston *et al.*, 2000:167; Wolford, 2007:560). With the dramatic fall in inflation, it was no longer appropriate to keep unproductive land and use it as a hedge against inflation (Deer & De Medeiros in Akram-Lodhi, Borras & Kay, 2007:109). The combination of increased competition as well as declining inflation led to a significant decrease in land prices from 1994 to 1995 (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:109; Wolford, 2007:559). Land thus lost its value as a speculative asset, forcing large land holders to shed their properties to the already existing state or national agrarian reform agencies (Alston *et al.*, 2000:167; Wolford, 2007:560). Land reform received much attention in the 1990s because it fitted with an existing international agenda of neo-liberal land reform as advocated by the

World Bank (Wolford, 2007:560). This factor, among others, contributed to the World Bank agreeing in 1997 to provide loan funding to the Government for the implementation of a market-led land reform project.

4.4.2.4 Market-led system of land reform

i. The introductory phase

The *market-led agrarian reform*, which Domingos (2002:4) describes as “the stimulation of sale and purchase of land at the expense of *latifundos*”, was introduced as a pilot programme through the initiative of the World Bank (Mattei in Moyo & Yeros, 2005:351). The Cardoso government was the first to introduce market-led reforms through a partnership project with the World Bank called The Land Reform and Poverty Alleviation Pilot Project (Mattei in Moyo & Yeros, 2005:351). The justification by the Government for introducing the market-assisted agrarian reform was the length of time and costs for implementing state-led expropriation and redistribution programme (Domingos, 2002:4).

The pilot project target was to settle 15 000 families over a four-year period at a cost of US\$ 150 million, of which US\$ 90 million was funded by the World Bank in the form of a loan extended to the Brazilian government to cover the grant component (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:89; Domingos, 2002:5), with the Government providing counterpart funding of US\$ 60 million (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:89; Mattei in Moyo & Yeros, 2005:351). This project, alternatively known as *Cedula da Terra* or the Land Title, was implemented through the federal system of Brazil in five federal states, namely:

- Ceará;
- Maranhão;
- Pernambuco;
- Bahia; and
- Minas.

The Land Title project was the forerunner of another market-led agrarian reform (MLAR) project called *O Banco da Terra*, alternatively known as the Land Bank (Wolford, 2005:249). The programme provided agriculturists who had little or no land at all, were

earning less than \$15 000 per annum and wanted to acquire land, access to agricultural land (Mattei in Moyo & Yeros, 2005:351). Potential beneficiaries were required to form associations with other interested buyers and assistance was in a form of loans of up to \$40 000 and payable over 20 years, whereby the first three years of the loan were interest free (Wolford, 2004:249). The beneficiaries were also eligible for another loan for working capital, as well as a government grant to cover settlement costs (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:109).

The target beneficiaries were not to be identified or selected by Government or other agencies, and were expected to form an association with other willing buyers to negotiate land prices with willing sellers, subject to approval of the designated Government agency (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:89; Wolford, 2007:560). The conditions for approval of the purchase price were the following:

- reasonable market price based on analysis of land in a similar location and fertility; and
- potential economic use (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:89).

In addition, government agencies had to satisfy themselves that:

- the title deed is in order;
- the land could be used in a sustainable manner;
- that beneficiaries can generate profit, which obviates the need for additional investment;
- that irrigation and market infrastructure are adequate; and
- that the property can sustain the proposed number of beneficiary families (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:89).

ii. The expansion phase

The Banco da Terra (the Land Bank) was launched in 2000, when the pilot programme was getting off the ground and before it could be evaluated (Sauer, 2006:8). The World Bank immediately expressed interest to support the Land Bank programme financially, which support they demonstrated through approval of a second loan of US\$ 200 million, to enable the programme to support more people (Sauer, 2006:8).

The agrarian policy of the Land Bank operated similar to the Land Bill with the only differences being:

- that it covered the whole country;
- that combating poverty was not one of the priorities; and
- that potential beneficiaries with higher household incomes could be accommodated (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:89-90).

The introduction of market-led programmes was justified by the Government on the basis that:

- they will ease the burden on the state fiscal resources;
- they would reduce social conflicts as well as judicial settlements pertaining to land redistribution; and
- they would contribute to the reduction of rural poverty (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:90).

The introduction of the Land Bank was denounced by various social movements in favour of state-led approaches, because it was argued that:

- it would put an end to the expropriation process; and that
- it was a ploy to demobilise the social movements and place the control of land reform in the hands of the elite (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:90; Domingos, 2002:6).

With the relentless pressure that was brought to bear by the social movements, the World Bank finally agreed to amend the loan scheme by excluding land earmarked for expropriation from the programme (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:91). In the face of mounting criticism of the Land Bank scheme, the World Bank sought support from the Confederação Nacional dos Trabalhadores na Agricultura (CONTAG or National Confederation of Agricultural Workers), a rival social movement of the MST. CONTAG had been advocating for a complementary land reform programme targeting sharecroppers, renters and smallholders (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:91). The Land Credit and Poverty Reduction Programme was launched at a cost of US\$ 400 million, dealing with similar concerns to those raised by CONTAG (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:91). The support given to CONTAG served to legitimise the World Bank-sponsored land reform programme, as well as create tension

between CONTAG and MST in terms of who is the legitimate voice of rural workers and the landless (Deer & De Medeiros in Akram-Lodhi *et al.*, 2007:91; Sauer, 2006:9).

The Land Credit programme was continued by the Lula government in spite of all the criticism (De Medeiros, 2007:1508). The Lula government also abolished the Land Bank in 2002, and introduced two new programmes, namely Nossa Primeira Terra (Our First Land), aimed at facilitating the purchase of land by young people, and Family Farming Consolidation aimed at assisting small producers (De Medeiros, 2007:1508).

iii. Problems pertaining to administration

A number of problems, which impacted negatively on the administration of market-led agrarian reforms, can be identified. Emphasis will be put on the Cardoso and Lula governments to illustrate the point. On average it takes around 17 months to complete a land credit transaction under the land credit programme, which is attributed partly to delays in bureaucratic processing (Sparoveck in De Medeiros, 2007:1510).

Beneficiaries lacked knowledge in terms of what the land reform programme entailed, and how they were supposed to participate and benefit (Bruno in De Medeiros 2007:1510). In the case of the Cédula da Terra (the Land Title), the limitations of resources for this programme resulted in associations opting to buy cheaper land, which in many instances was marginal land, thus leaving behind some cash to invest in the newly acquired land (De Medeiros, 2007:1512; Sauer, 2006:20). Families played a relatively small role in the choice of farms to purchase and the negotiation process for the purchase of land, with the negotiations instead being done by government officials in charge (Sauer, 2006:20).

Beneficiaries were unable to purchase land closer to villages and consumer markets, which was expensive (De Medeiros, 2007:1512; Sauer, 2006:20). This negatively impacted on the viability of the farming operations due to a large number of beneficiaries (65%) opting to live in their villages, mainly due to the access of schools for their children (De Medeiros, 2007:1513). It also resulted in a knock-on effect in terms of access to agricultural extension, which resulted in poor farm management. Production on the

newly acquired farms was not enough to generate income for beneficiaries, capitalise the farms, invest in production activities and to service the loan (Sauer, 2006:24).

4.4.3 The Filipino case

4.4.3.1 The land problem

The history of the Filipino land distribution problem can also be traced back to the colonial period by the Spanish in the sixteenth century (Franco & Borrás, n.d:68; Wurtel, 1988:6-7). Ecclesiastical authority was a major part of the governing system of the Filipino to such an extent that the church accumulated significant assets including vast tracts of land (Wurtel, 1988:5). The current problems of land distribution, share crop tenancy, as well as a dichotomous dual system of agricultural production characterised by the small farmer sector and the capitalist farmer and corporate plantation sector, can be traced back to the Spanish colonial period, as well as the American occupation during the first half of the twentieth century when the above-mentioned problems were heightened (Borrás in Akram-Lodhi *et al.*, 2007:121).

It must however be borne in mind that the Philippines was also subjected to colonial rule from other countries namely:

- the United States of America, which annexed it from the Spaniards in 1899 (Franco & Borrás, n.d:68), and signed a ten-year commonwealth agreement in 1935, which gave the Philippines some form of independence with a separate constitution under the leadership of President Manuel Quezon, subject to the USA retaining particular forms of control over the country until full independence was achieved; and
- Japan, which invaded the country in 1941, and occupied it until the USA restored the sovereignty of the Philippines in 1946 (Wurtel, 1988:6-13).

Agricultural land constitutes approximately one third of the 30 million hectares of the Filipino land surface area, the majority of which is occupied and owned by the elites (Borrás, 2005:98). The events during the occupation periods had an effect on the power struggles between the elite group and the ordinary people on, among others, issues

such as agrarian reform, including the manner and pace with which such disputes could be resolved.

Land reform programmes were introduced in 1972 through Presidential Decrees 2 and 27 (Otsuka, 1991:340, Wurtel, 1988:167) and which advocated for “...the emancipation of the tiller of the soil from bondage”. Wurtel (1988:168) is of the opinion that Presidential Decree 27 was a major improvement over previous pieces of legislation because:

- all tenants whose landlords owned more than seven hectares of land were eligible to purchase the land;
- the purchase price was fixed at one and a half times average annual production;
- the Land Bank paid the landlords 10% cash and 90% in bonds;
- tenants had to pay the debt from Land Bank over 15 years at 6% interest rate; and
- when the land has been fully paid, the tenant would receive title deed, but before any agreement could be reached with the landlord, the tenant would receive a Certificate of Land Transfer, which gives him/her the right to purchase the land.

The programme also suffered from poor administration, which slowed its implementation, with the following problems being identified as causes:

- government red tape;
- staff shortages as a result of budgetary constraints; and
- top decision makers crumbling under pressure from landlords (Wurtel, 1988:169).

4.4.3.2 The Comprehensive Agrarian Reform Programme (CARP)

The discussion that follows outlines the relevant circumstances and process for the introduction of the Comprehensive Agrarian Reform Programme (CARP), including some of its features that are similar to market-led agrarian reform, as well as problems pertaining to implementation. The land reform experiences in the Philippines can be explained through:

- an analysis of the capacity of the state to initiate and implement reforms, and by examining “...the interaction of state and social actors within an existing socio-political and economic context” (Feranil in Moyo & Yeros, 2005:258; Franco, 2008:994, Montinola, 1999:749; Putzel, 1999:214); and

- a consideration of the role of corruption from the ruling elite and anti-reform forces (Borras, Carranza & Franco, 2007:1558; Broad, Cavanagh & Bello, 1990:157; Department of Agrarian Reform evaluation report, 2006:23; Franco, 2008:994; Putzel, 1999:216; Sidel, 1997:952).

To illustrate the phenomenon of state-society interaction, Borras and Franco (in Franco, 2008:995) are of the opinion that land redistribution under CARP reached a peak between 1992 and 2000, a situation made possible when the position of secretary for the Department of Agrarian Reform (DAR) was occupied by two former NGO land activists, who used their position of influence within the Government to curtail the activities of anti-reform forces. These forces had in the past, managed to collaborate with corrupt government officials to frustrate land reform programme implementation.

A weak state capacity was manifested by:

- the existence of strong non-state organisations (e.g. client-patron relationships, and regional strongmen who protected their vested interests through established corrupt relationships with political office bearers and public officials), which resisted attempts by state leaders to exert control of the state in society (Franco, 2008:997; Montinola, 1999:741);
- the inability of political office-bearers to pronounce on and give effect to land reform policies that promote the interests of the majority in society (Montinola, 1999:741-742); and
- the loss of institutional legitimacy in the eyes of the public by institutions of the state such as the legislature, the executive and the judiciary, in a democratic society (i.e. members of the public lose trust and confidence in and respect for the rules, operating procedures and outcomes of an institution of the state, which are perceived as not being representative of the collective values of society) (Haynie, 1994:754).

Though these factors are some of the constraints impacting upon implementation of land reform, they will not be the main focus of the discussion on land reform in the Philippines. They will only serve to provide reasons behind the failure to successfully implement land reform programmes.

The Philippines introduced the CARP land reform law in 1988, due to pressure from a coalition of indigenous farmers' associations and after the killing of 19 landless peasants who were demanding changes in land ownership (DAR Evaluation report, 2006:23). CARP aimed at bringing reforms in tenure relations to about 10,3 million hectares of public and private farmland through land redistribution (Borras, 2006:79, Franco, 2008: 996; Institute of Social Studies/United Nations Development Programme, 2005:4), of which a large tract of public land to be distributed under the Community-Based Forest Management (CBFM) programme (a sub-programme of CARP) was under private control (Cabarle & Lynch in Franco, 2008:995).

Private land that was initially targeted, was to be made available voluntarily by farmers (which land turned out to be unproductive and not easily accessible) as it was anticipated by the DAR administrators that there was major resistance from farmers especially with regard to prime agricultural land (Reyes, 1999:5). The targeted land was reduced in 1996 to 8 million hectares, where the amount of private land targeted for redistribution was reduced, and in addition to this amount some 2 million hectares of land (private land included) was made available for the benefit of an estimated 1 million households under leasehold arrangement (Borras in Akram Lodhi *et al.*, 2007:123).

The DAR in the Philippines was responsible for implementation of the CARP programme on private land and on some state land (Borras & Franco, 2005:336), while the Department of Environment and Natural Resources (the DENR) was responsible for all alienable and disposable land, as well as other state owned 'forested' land (Borras, 2006:80; Institute of Social Studies/United Nations Development Programme, 2005:5). Various land acquisition modalities within CARP, brought about by the need to manage pro- and anti-reform manoeuvres, were as follows:

- Operation Land Transfer (OLT), which emanated from the Marcos era, and targeted tenanted rice and corn fields (Borras, 2005:100; Institute of Social Studies/United Nations Development Programme, 2005:6);
- Voluntary Offer-to-Sell (VOS), which provided more cash incentives as opposed to issuing government bonds, and which, it was hoped, would encourage landlords to sell their land voluntarily (Borras & Franco, 2005:336; Institute of

Social Studies/United Nations Development Programme, 2005:6; Ledesma in Franco, 2008:1003); and

- Voluntary Land Transfer (VLT), which aimed at inducing co-operation by landlords, whereby Government would transfer land directly to beneficiaries on terms agreed to between the landlord and buyers, with Government only playing the role of providing information required to facilitate the transaction (Borras & Franco, 2005:336; Institute of Social Studies/United Nations Development Programme, 2005:6).

The VOS mode required of landlords to sell their land to the state (Borras & Franco, 2005:336; Institute of Social Studies/United Nations Development Programme, 2005:6), whereas under VLT landlords would sell their lands directly to beneficiaries (Borras, 2005:100; Institute of Social Studies/United Nations Development Programme, 2005:6). The other land acquisition modality was the Stock Distribution Option (SDO), where corporate farms were exempted from land redistribution if landlords should choose the option of issuing to workers corporate stocks equivalent to the value of land, which in effect turned workers into co-owners (Borras, 2005:99; Institute of Social Studies/United Nations Development Programme, 2005:6). The last and final mode of acquisition under CARP was Compulsory Acquisition (CA), which involved expropriation of land (Borras & Franco, 2005:336; Institute of Social Studies/United Nations Development Programme, 2005:6). Though CARP was aimed at promoting co-operation among landlords, it had an expropriation component, especially in the VOS (under specific conditions), the OLT and CA methods, where the state had the right to expropriate land in the case where the landlord was unco-operative (Borras, 2005:100; Institute of Social Studies/United Nations Development Programme, 2005:6).

The implementation of CARP encountered difficulties. There were disagreements with regard to the correctness of statistics offered by the DAR pertaining to CARP accomplishments (Institute of Social Studies/United Nations Development Programme, 2005:7). Corruption was a negative factor, where, for example in the VOS programme, corrupt Government officials of the DAR and tax offices (Habito & Briones, 2005:12; Institute of Social Studies/United Nations Development Programme, 2005:8), would, when determining land compensation amounts, arbitrarily select expensive land to use in determining comparable sales, and again connive with landlords to inflate land prices,

thus depleting the financial resources of the state (Putzel, 1992:318). Further allegations were that Government officials connived with land owners, by formalising land claims of elites occupying state land, thus entrenching and perpetuating pre-existing tenure relationships (Franco, 2008:1004-1005; Habito & Briones, 2005:12). Landlords, with assistance from anti-reform Government officials, undermined the land reform process by, for example, using dummy beneficiaries in contravention of official policy (Franco, 2008:1004-1005; Habito & Briones, 2005:12; Institute of Social Studies/United Nations Development Programme, 2005:8),

Weak managerial and technical ability negatively impacted on effective administration of land reform programmes (Habito & Briones, 2005:12), as manifested by fragmented or poor co-ordination of policy implementation (Habito & Briones, 2005:12). Reduction of the budget and/or unstable budget allocations by a pro-landlord dominated Congress (Institute of Social Studies/United Nations Development Programme, 2005:8), reduced the state's ability to pursue expropriation measures thus leaving the willing-seller, willing-buyer methods of VLT and SDO as the only options available (Borras in Akram Lodhi *et al.*, 2007:127-128, Habito & Briones, 2005:12). Public officials were reluctant to invoke the expropriation measures even where the land negotiation process had stalled (Reyes, 1999:5).

The above constraints demonstrate that land reform programmes can fail due to the following factors:

- selective application of the provisions of government policy by public officials;
- weak managerial ability;
- weak ability to provide technical support by way of plans;
- poor funding, which results in weak administrative capacity to implement policy;
- landlords succeeding in:
 - gaining control of state institutions; and
 - manipulating land prices as evidenced by the corrupt sale of the 1888 hectare Garchitorea Estate in Camarines Sur (Putzel, 1992:314); and
- poor reporting and weak accountability.

However, successes that have been registered have been credited to alliances between pro-reform forces in society with pro-reform forces in the bureaucracy to convert less

than ideal opportunities for reform at specific times into actual land redistribution (Borras *et al.*, 2007:1558).

4.4.3.3 Market-led agrarian reform

The World Bank released a report in 1997 on the strategy to combat poverty in the Philippines (Reyes, 1999:5). Part of this report touched on the problems the World Bank had with CARP implementation. The World Bank made an attempt to convince the Philippine government to abort its CARP programme in the 5 to 24 hectare farm category because it:

- distorted the land market; and
- was expensive for Government (Borras *et al.*, 2007:1558; Borras in Akram Lodhi *et al.*, 2007:129, Institute of Social Studies/United Nations Development Programme, 2005:9; Reyes, 1999:5).

The advances by the World Bank were met with resistance from both the DAR officials as well as civil society organisations (Borras *et al.*, 2007:1558; Borras in Akram Lodhi *et al.*, 2007:129; Reyes, 1999:5). However, the factors that facilitated the final acceptance of the World Bank proposal by the Philippine government were:

- the dire shortage of funds for the CARP programme; and
- CARP implementation increasing momentum in 1999 to include commercial banana farms as well as large private estates (Borras *et al.*, 2007:1558; Reyes, 1999:5).

The market-led agrarian reform programme was introduced in 1999 as a pilot programme by the World Bank and the Philippine government, complementary to the CARP programme (Borras in Akram Lodhi *et al.*, 2007:129; Institute of Social Studies/United Nations Development Programme, 2005:8). The first stage of the introductory phase involved a feasibility study that introduced two pilot projects, with the first one on 178 hectares of state land and targeting 178 potential beneficiaries (Borras *et al.*, 2007:1563). The second pilot project was on 48 hectares of private marginal land and targeting 19 potential buyers (Borras *et al.*, 2007:1563). Beneficiaries had to pay the full cost of the land (Philippine Pesos (PhP) 16 000/hectare) through a loan obtained

from the Land Bank, which was offered at commercial interest rates (Borras in Akram Lodhi *et al.*, 2007:129).

The implementation of the MLAR met with resistance from NGOs and peasant organisations. To deflect attention from the programme, the World Bank relabelled the pilot programme The Community-Managed Agrarian Reform Programme (CMARP) (Institute of Social Studies/United Nations Development Programme, 2005:9). At the end of the feasibility study, the World Bank expanded the project into a pilot programme in mid-2003, and called it the Community-Managed Agrarian Reform and Poverty Reduction Programme (CMARPRP) (Borras *et al.*, 2007:1564; Institute of Social Studies/United Nations Development Programme, 2005:10). The aim of CMARPRP was to facilitate the sale of 1000 hectares of land to 1000 rural poor households, on the same conditions as stipulated in the VLT mode of land acquisition (Borras *et al.*, 2007:1564; Borras in Akram Lodhi *et al.*, 2007:130; Institute of Social Studies/United Nations Development Programme, 2005:10). Though the CMARPRP was introduced as a pilot project, the number of hectares targeted for redistribution was too limited compared with the CARP programme (0.009% of the 10,6 million hectares targeted under the CARP programme), and also because approximately one third of the Philippine's land area of 30 million hectares is agricultural land (Borras, 2005:98), which makes the target for the CARP programme much more realistic. CMARPRP adopted the following principles:

- a negotiated agreement between willing-seller and willing-buyer;
- a demand-driven approach to land reform;
- an integrated land transfer as well as service delivery (post-transfer) support mechanisms; and
- the centrality of income generation based on improved farm productivity and credit finance support (Borras *et al.*, 2007:1564).

By April 2007, 972 hectares of land had been distributed under CMARPRP, which amounts to:

- 97,2% of the 1000 hectares initially targeted for redistribution; and
- only 243 hectares redistributed under this programme per financial year, starting from the 2003/04 financial year.

This is in comparison with the estimated 435,019 hectares of private land estimated to have been redistributed through the VLT mode under the CARP programme between 1988 and 2001, and which represented 25% of all private land redistributed to the landless (Borras, 2005:102). However, official data in terms of the achievement of the CARP programme were contested because landlords were engaging in land transactions aimed at frustrating the implementation of the programme, thus some of the land officially registered as having been redistributed to the landless, was actually registered in the names of relatives of landlords and not redistributed (Borras, 2005:102).

Based on the above performance and other indicators which the World Bank considered as positive signals of the programme's success, the World Bank's local project office required as one of its recommendations that the willing-seller, willing-buyer approach be implemented by Government on a wider scale (Borras *et al.*, 2007:1564). However, a comparison of the CARP programme with the CMARPRP programme demonstrates the following:

- In spite of the unreliability of official records pertaining to the performance of the CARP programme as highlighted by Borras (2005:102), Lahiff, Borras and Kay (2007:1425) are of the opinion that more hectares of agricultural land was redistributed under the CARP programme.
- CMARPRP was more costly in the sense that CARP cost \$357/hectare and \$714/household compared with CMARPRP \$2547/hectare and \$3049/household (Borras *et al.*, 2007:1565).
- Under the CMARPRP programme, Government officials facilitated deals that encouraged land grabbing of public land by elites who then sold such land to their own relatives or sold it at commercial rates to the very same indigenous communities who had a valid claim against the land (Borras *et al.*, 2007:1567-1572). These corrupt practices had a detrimental effect on the poor, who in most cases had to drop legitimate claims by relenting to pressure from elites due to threats of evictions from local government officials, coupled with sweet promises of better services, which were never fulfilled (Borras *et al.*, 2007:1567-1572).

CMARPRP is perceived to be anti-poor (as opposed to being anti-poverty) and anti-reform in character, and that it mainly assisted in facilitating the intra-elite/elite-to-elite, state-to-elite, foreign donor-to-poor, and poor-to-elite transactions thus entrenching the prevailing conditions in tenure relationships and undermining land reform under the CARP programme (Borras *et al.*, 2007:1573; Lahiff *et al.*, 2007:1427).

4.5 CONCLUSION

The two case studies above demonstrate the difficulties encountered by the two countries in terms of implementing their land redistribution programmes. The market-led programmes introduced were World Bank-inspired; similar to the LRAD programme being implemented in South Africa and which is the subject of this research project. The difference between the land redistribution programmes of South Africa, Brazil and the Philippines is that both Brazil and the Philippines implemented the state-led and market-led programmes concurrently, while South Africa's land redistribution programme is market-led only. Though the market-led land redistribution programmes have been inspired by the World Bank approach, there are differences in the type of policy instruments used, with South Africa making use of grants, Brazil making use of loans but with the interest payment subsidised over a number of years, and the Philippines using loans issued at commercial rates.

The similarities of the market-led land redistribution programmes between the three countries are the following:

- the implementation of a demand-driven approach to land reform;
- a negotiated agreement between willing-seller and willing-buyer;
- an integrated land transfer as well as service delivery (post-transfer) support mechanisms; and
- the centrality of income generation based on improved farm productivity.

Efforts to achieve effective implementation were being undermined by the following key issues:

- lack of co-operation by key stakeholders (key among them landlords and politicians);

- policies which had the opposite effect of what government intended to achieve through its redistribution programmes;
- connivance by some anti-reform government officials whose intentions were to frustrate the policy intentions of government;
- poor administrative capacity to implement government programmes as manifested by poor allocation of resources, long turnaround times, and poor systems for accountability; and
- a manifestation of poor co-operative governance during the planning and implementation of the land redistribution programmes.

The following chapter presents an overview of the land reform policy environment in South Africa. The chapter will also reflect on the similarities and dissimilarities with regard to the administration of market-led agrarian reform programmes between South Africa, Brazil and the Philippines.