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The Unresolved Land Reform Debate: **Beyond State-Led or Market-Led Models**

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Introduction

Sharp inequalities in the distribution of land have remained a major cause of extreme poverty in many developing countries. Much of the rural workforce in these countries is landless or near-landless while many small farmers cultivate meagre, marginal plots. How can this persistent problem be addressed?

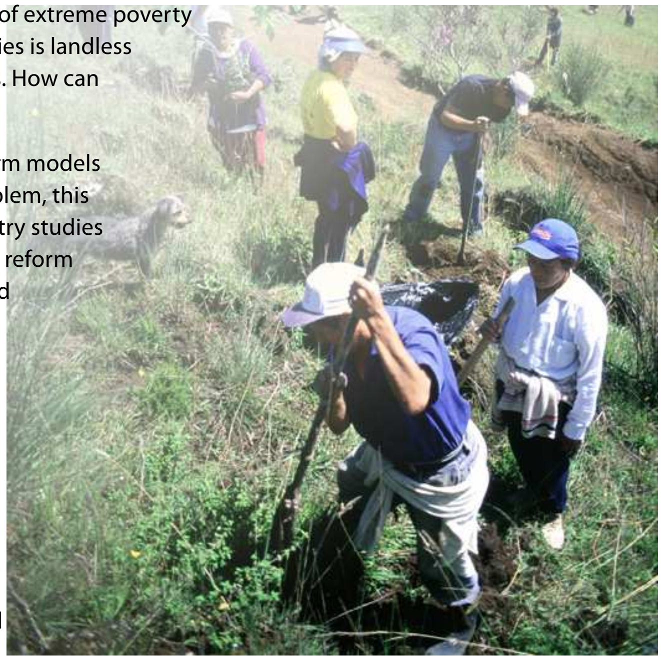

Photo: UNDP Ecuador.

The historical record shows that neither state-led nor market-led land reform models have been successful in removing these inequities. In response to this problem, this Policy Research Brief draws primarily on a UNDP-ISS supported set of country studies and analytical papers in order to point toward an alternative model of land reform that could both satisfy legitimate and urgent demands for social justice and develop an agrarian system that is economically viable.[1]

Land reform emerged as a critical issue in many recent UNDP-supported national studies on Economic Policies and Poverty Reduction. These studies sought to determine policies that could generate growth with equity, or 'pro-poor growth'. In most countries, a more pro-poor pattern of growth is needed, in addition to a more rapid pace, in order to reach the first Millennium Development Goal (MDG), namely, the halving of extreme income poverty by 2015.

Once these studies accepted the logic of 'pro-poor growth', they recognized that in many developing countries this objective could not be achieved without accelerated rural development. And rural development often could not be achieved, it was revealed, without meaningful land reform. Hence, in these countries, land reform could contribute decisively to reaching MDG #1 and, indirectly, to the attainment of other MDGs.

One clear result of the UNDP-ISS country studies is that severe inequality in land distribution is a basic issue of social injustice. Hence, using just an economic calculus of the benefits and costs of land reform is not sufficient. Land reform is also inevitably controversial. That is why many poverty reduction specialists are reluctant to address it. The reason: such reform invariably alters the distribution of economic power in a country and, by implication, the distribution of political power.

The State-Led Model

Within this context, the state-led model of land reform—despite having been widely criticized in recent years—has recorded some notable successes. A partial picture of its record is depicted in Table 1. In many of the countries listed in the table, state-led efforts led to the redistribution of one third or more of total agricultural land. The successes—Japan, Republic of Korea and Taiwan—are well known. The large-scale efforts of other countries, such as Bolivia, Chile, Cuba and Mexico, are also widely recognized.

State-led land reform has taken many forms. These include successful one-time state interventions to create egalitarian peasant ownership (Republic of Korea) and expropriation to create collectivized agriculture (Cuba). The success of reforms has varied: Japan's reform was highly successful, Bolivia's was less successful and the Philippines' is somewhere in-between.

The historical record underscores the point that redistributing economic power in rural areas will require the active support of the central state, particularly with regard to advancing the interests of the landless and the land deprived. Their demand for land often remains latent until they recognize a genuine opportunity for progress. For this purpose, not only do they need to be well organized but also they need decisive backing from the central state.

The state-led model has been criticized for being 'market-distorting' and inefficient. It is true that if successful, such reform would disrupt normal—and unequal—market relations. But once the transfer of land is completed, vibrant market relations could re-establish themselves—now on the basis of a more equitable distribution of wealth.

Table 1

Land Redistribution Outcomes of State-led Land Reform Programmes in Selected Countries

Country	Period	Redistributed Land as % of total Agricultural Land	Number of Beneficiaries as % of total Agricultural Households
Cuba	since 1959	80	75
Bolivia	1952–77	74.5	83.4
Rep. of Korea	since 1945	65	77
Chile	1964–73	nearly 50	20
Taiwan*	1949–53	48	48
Peru	1963–76	42.4	32
Mexico	1970 data	42.9	43.4
Philippines	1972-2005	nearly half	two-fifths
Japan	1945 on	one-third	70
Ecuador	1964-85	34.2	no data
El Salvador	1980 thru 1990s	20	12
Venezuela	Up to 1979	19.3	24.4
Egypt	1952–61	10	9
Brazil	1964-2005	7.6	18.5
Costa Rica	1961–79	7.1	13.5

*Source: Authors' calculations from various documents. * Taiwan Province.*

Whether the state-led model leads to an inefficient agrarian system depends, in good measure, on the magnitude of material support provided by the state in the wake of the overhaul of land ownership. The reform might well unleash a surge of hitherto repressed productivity, but these gains are unlikely to be sustained over the medium term unless buttressed by augmented public investment, credit and technical assistance.

The form of redistribution—and how it is financed—can also matter. One well-known option is the confiscation of large landholders, such as in East Asia. Another option that can facilitate redistribution is progressive taxation of land. A third method, which assumes some compensation of large landholders, is to provide public subsidies to finance land transfers. However, this can be unduly expensive.

The Market-Led Model

In recent years, the state-led model of land reform has been supplanted as the dominant paradigm by a market-led model. This has been due primarily to forceful lobbying by international financial institutions. But has the market-led model proved superior? Table 2 depicts its record in the major countries in which it has been implemented. So far, the results have been modest.

The market-led model has not led, in fact, to a genuine redistribution of wealth. Large landholders must be willing to sell land, and when they do, they must receive 100 per cent of its market value. So, they are fully compensated. By contrast, the landless must be willing to assume a liability, namely, a state loan, in order to buy the land. In order to pay off the loan, not only must they work hard for a long time but also general agricultural conditions must remain prosperous so that their labours bear fruit.

In general, the market-led model has under-estimated the power of large landlords and capitalist farmers (who wield considerable political as well as economic power) and over-estimated the power of the landless and land deprived. In most cases, economic power has trumped the equity objectives of these programmes. Large landowners have often connived with local government officials to bias the selection of buyers of land and the assessment of land values. These problems have plagued the major marked-based experiments in Brazil, Colombia and South Africa (Borras 2003).

Due to such problems, land reform initiatives have turned into localized, under-funded programmes that perhaps have been 'poverty-alleviating', but certainly not 'poverty-eliminating'. Large landholders sell little land or low-quality land. And when they do sell, they command high prices. The decentralization of market-led programmes down to local government (ostensibly to avoid problems of a centralized bureaucracy) has usually catered to the power of local landlords and capitalist farmers. In addition, the organizations that the landless have to form to join these programmes have wielded little real influence.

Because the market-led model has had only limited success, and has generated, understandably, little enthusiasm among the landless, international financial institutions have recently shifted to a more pragmatic approach (Childress and Deininger 2006). In the name of 'national ownership' of land policies, advocates of marked-based policies now assert that national governments have the freedom to choose the most appropriate model. In several countries, both market-led and state-led programmes co-exist. But most multilateral financing still backs, of course, the market-led programmes. So, despite rhetoric to the contrary, the state-led programmes are handicapped.

Moreover, marked-led land reform usually does not complement, but acts to undermine, state-led land reform. In the Philippines, for example, the voluntary land transfer scheme has offered a means for large landowners to circumvent the more effective state-led programme. In South Africa, the elite has used market-based land transactions to evade the government's restitution programme, which is strongly oriented to achieving social justice (Lahiff 2006). In Brazil, landholders have clamoured for a market-based approach as a substitute for a more ambitious state-led programme (Deere and Servolo de Medeiros 2006).

In fact, in some countries, such as Namibia and Zimbabwe, marked-led programmes, which were based on the 'willing seller-willing buyer' principle, were imposed at independence in order to prevent the emergence of state-led programmes (Van Donge et al. 2006 and Moyo 2006). The legacy is the persistence of severe inequalities in land distribution.

A Redistributive Alternative

Since both state-led and market-led land reform models have had only mixed success, is it possible to formulate an alternative? In other words, is there a 'Redistributive Alternative' that is also productivity enhancing? Although the specifics would have to be articulated within the context of each country, the general outline of such an alternative, we believe, can be sketched.

The major policy lessons drawn from historical experience, and reinforced by the findings of the country studies in the UNDP-ISS global project, can be formulated as 'Four Pillars'. Although these four elements form a 'paradigm', not all of them need to be present to achieve success. In practice, land reform is always a matter of degree. Partial but significant advances can certainly be achieved—and have been achieved already—in settings that are less than ideal.

The First Pillar

The First Pillar advocates that the rural poor form their own *independent organizations*. These cannot be formed by outside forces, no matter how well meaning. They also have to be autonomous of the state and able to represent a diverse range of the rural poor, i.e., landless peasants, farm workers, small farmers, indigenous peasants and rural women.

A common theme among successful land reform programmes is their reliance on 'relentless pressure from blow' exerted by the mass mobilization of the landless. This has been the case in Mexico in the 1930s, in Kerala, India in the 1960s and 1970s and in Chile during the early 1970s. More recently, influential organizations of the rural poor have emerged in the Philippines and Brazil to campaign aggressively for land reform (Borras et al. 2006 and Deere and Servolo de Medeiros 2006).

However, no matter how independent and influential such organizations, they cannot score successes without powerful political allies. Anti-reform forces often command a well-established and potent political constituency, at both the local and national level.

The Second Pillar

The Second Pillar of a Redistributive Alternative maintains that a *broad pro-reform political coalition* should wield decisive political influence at the national level. This coalition has to be powerful enough, for example, to reject compromise with political factions representing large landholders. The pro-reform coalition also has to be able to uphold the interests of the landless in the face of the rapidly growing political influence of large export-oriented agribusinesses.

This implies that while land reform should be led by the rural poor, its base should be politically broad enough to ensure active state support for carrying through redistribution. While the state has been weakened in recent decades by various forces, including globalisation, privatisation and decentralisation, it often remains capable, we believe, of supporting redistributive land reform. What is often most lacking is the commitment to follow through.

The Third Pillar

The commitment of such a political coalition will be most effective when it translates into genuine material support for reform efforts. This point highlights the need for the Third Pillar of a Redistributive Alternative, i.e., *substantial public investment, state loans and technical assistance*. These were prominent features of the successful land reforms of Japan, Republic of Korea and Taiwan.

Such public backing remains necessary today to create the conditions for 'productivity-enhancing' agrarian reform—namely, a significant increase in the productivity of labour, land and capital in the agricultural sector. Such an increase should stimulate a broad expansion of off-farm and non-farm economic opportunities, as well as improvements in livelihoods derived directly from farming.

Table 2
Land Redistribution Outcomes of Major Market-Led Agrarian Reform Programmes in Several Countries

Country	Period	Redistributed Land as % of total Agricultural Land	Number of Beneficiaries as % of total Agricultural Households
Brazil	1997-2005	0.4	1.32
Colombia	1994-2001	0.22	0.33
Guatemala	1997-2005	4.0	1.30
Philippines	2000-2005	0.01	0.03
South Africa	1994-2005	1.65	4.1
Zimbabwe	1980-1996	16.6	5.83
Namibia	1990-2005	6.0	0.16

Source: Authors' calculations from various documents.

The earlier phase of land reform in Bolivia showed, for example, that the redistribution of land alone does not lead automatically to poverty reduction. Bolivian beneficiaries were deprived of access to public resources while rural elites enjoyed public largesse and favourable policies. Kay and Urioste (2006) estimate that, as a result, redistributing at least five million hectares is still required to resettle about 100,000 impoverished landless households.

Providing investment, loans and technical assistance should be the primary responsibility of the national state. But multilateral and bilateral donors can also make a big contribution. While they should refrain from meddling in the internal politics of a country, such as supporting particular mass organizations or particular political coalitions, donors could play an important role in helping ensure that redistributive land reform will be economically sustainable.

Often, however, material support to agrarian reform by the government or external donors has been selective. Those areas or groups receiving support prosper while those excluded stagnate economically. Such favouritism has characterised the Agrarian Reform Community (ARC) program of the Philippines. Because of concentrated public support for ARC communities, their household incomes are significantly higher than in other land-reform communities, and certainly higher than in non-reform areas. However, by 2005, ARC projects had reached only 16 percent of all land-reform beneficiaries.

The lack of progress in boosting productivity levels in the reform sector has often been used to justify the reversal of redistribution and the acceptance of greater inequality in the distribution of land. This has been the case in Egypt, for example (Bush 2006). In other cases, such as the transition economies of Armenia and Vietnam, rising inequality in landholdings has been justified in order to increase productivity (Spoor 2006 and Akram-Lodhi 2006). In contemporary Uzbekistan, the central government has focused its support not on strengthening small-scale peasant agriculture, where most rural poverty is concentrated, but on creating a parallel class of large private farmers, under the pretext of exploiting economies of scale (Khan 2006).

Hence, boosting productivity should not be posed as an independent objective. It should be regarded primarily as a means to broadly enhance rural livelihoods. Such an approach will help promote synergies between greater equity and higher productivity.

The Fourth Pillar

Microeconomic or regional interventions to increase agricultural productivity, no matter how broad-based, are unlikely to succeed unless they are part of a *growth-oriented Development Strategy*. The Fourth Pillar of a Redistributive Alternative affirms the need for such a strategy. Economic policies, in particular, have to be geared to promoting 'pro-poor growth'. But the widespread adoption of restrictive neo-liberal economic policies has been unable to deliver the general conditions of agricultural prosperity that would sustain redistributive reform.

Securing more equitable access to landed assets is not likely to be sustainable if growth of the rural economy is hampered. The economic returns to land would remain low. This has been a painful lesson of the land-reform experience of Ethiopia, for example (Mersha and Githinji 2006).

A 'scaled up' national development strategy geared to the Millennium Development Goals could help provide the macroeconomic environment that could underpin and sustain the significant shift in economic and political power that a broad-based land reform programme would set in motion. Deprived of such a conducive environment and disconnected from a growth-oriented development strategy, land reform initiatives are likely to degenerate into slow-paced, anaemic and, ultimately, ineffectual poverty-alleviation programmes.

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1. The International Poverty Centre and the Poverty Group in New York coordinated with the Institute for Social Studies in The Hague, beginning in 2004, on a global project that has produced a landmark volume of country studies and analytical papers on "Land Policies, Poverty and Public Action", soon to be published as a book (Akram-Lodhi, Borras and Kay (forthcoming)). This Policy Research Brief is based on that policy-oriented research.

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