

# Questioning Market-Led Agrarian Reform: Experiences from Brazil, Colombia and South Africa

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*Market-led agrarian reform (MLAR) has been conceptualized out of the pro-market critique of classic state-led agrarian reform. The pro-market model has been implemented in Brazil, Colombia and South Africa, where its proponents have claimed impressive success. But close examination of the empirical evidence puts into question the basic theoretical and policy assumptions and current claims of MLAR proponents. The same model is no more likely to work elsewhere.*

*Keywords:* land reform, peasant organizations, state, land market, Brazil, Colombia, South Africa

## INTRODUCTION

The problem of lack of access to land by the rural poor has persisted in most developing countries despite numerous agrarian reform initiatives in the past (see Ghimire 2001; Kay 1998). After being out of policy agendas from the late 1970s, land reform is back, but this time discussion among mainstream policy circles revolves mainly around Market-Led Agrarian Reform, or MLAR: a form of land reform that has emerged out of the pro-market critique of state-led approaches to agrarian reform. The academy, the NGO community and mainstream policy circles have been sharply divided between those that support MLAR and those that oppose it. However, the debate has been quite speculative.<sup>1</sup> This paper

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<sup>1</sup> Useful initial enquiries were made by Riedinger et al. (2001) and El-Ghonemy (2001).

attempts to fill the gap in the current debate by: (i) presenting the MLAR proposition in an accessible way and (ii) offering an empirically grounded questioning of the MLAR model.

The paper is organized as follows: the next (the second) section presents the pro-market critique of state-led agrarian reform; the third explains the key features of the MLAR model; the fourth sketches how the model has been adapted into policies in Brazil, Colombia and South Africa; the fifth closely examines the actual outcomes in MLAR implementation in the three countries cited; and the sixth draws conclusions from the treatment presented.

### THE PRO-MARKET CRITIQUE OF STATE-LED AGRARIAN REFORM

The pro-market critique is particularly hostile to the state-led approach's concept of 'land size ceiling' that allows landlords to own land only under a maximum farm size. Klaus Deininger and Hans Binswanger – the two most important proponents of MLAR – argue that 'ceiling laws have been expensive to enforce, have imposed costs on landowners who took measures to avoid them, and have generated corruption, tenure insecurity, and red tape' (1999, 263). The same scholars explain that the usual payment to landlords that is below the market price and is made through staggered, partly government, bonds, allows time to erode the real value of the landowners' money, and so provokes landlords' resistance to reform (Binswanger and Deininger 1996, 71). In turn, this conservative reaction has led landlords to subvert the policy, evade coverage by subdividing their farms or retain the best parts of the land. Legal battles launched by landlords have slowed down, if not prevented, any reform implementation.<sup>2</sup> Moreover, according to this critique, the state-led approach has been 'supply-driven': it starts either by first identifying lands for expropriation then looks for possible peasant beneficiaries, or by first identifying potential peasant beneficiaries then seeking lands to be expropriated. This leads to heightened economic inefficiency when: (a) productive farms are expropriated and subdivided into smaller, less productive farm units, or when environmentally fragile (usually public) lands are distributed by the state; or (b) when peasant households 'unfit' to become beneficiaries (i.e. which have no potential to become efficient producers) are given lands to farm (see World Bank n.d.c, 2).

Furthermore, according to the pro-market critique, the state-led approach relies heavily on the central state and its huge bureaucracy for implementation through top-down methods that fail to capture the diversity between and within local communities and are unable to respond quickly to the actual needs at the local villages (Gordillo 1997, 12). Binswanger explains that:

public sector bureaucracies develop their own set of interests that are in conflict with the rapid redistribution of land [ . . . and that] expropriation at below market prices requires that the state purchase the land rather than the

<sup>2</sup> See de Janvry and Sadoulet (1989).

beneficiaries. While not inevitable, this is likely to lead to the emergence of a land reform agency whose personnel will eventually engage in rent-seeking behaviour of its own . . . (Binswanger 1996a, 141–2)

Meanwhile, according to the critique, another consequence of the state-led approach is the distortion of the land market. This distortion prevents more efficient producers from acquiring or accumulating lands and forestalls the exit of inefficient farmers. According to Deininger and Binswanger (1999, 262–3), most developing countries are plagued with distorted land markets caused primarily by prohibitions on land sales and rentals by land reform beneficiaries or by landlords already marked for expropriation. This is thought to have prevented more efficient producers from acquiring or accumulating lands, blocked the entry of potential external investors and prevented inefficient and bankrupt beneficiaries from getting out of production. These prohibitions have led to informal land market transactions that, in turn, breed corruption within state agencies and drive land prices upward, so bringing further distortion of land markets (see Banerjee 1999; Gordillo 1997, 12–19). Furthermore, the pro-market critique laments that state-led agrarian reforms have been implemented usually without prior or accompanying progressive land taxation and without a systematic land titling programme, whose absence contributes to land price increases beyond their proper levels, encourages landlords toward ‘land banking’ or speculation, and leads to complex competing claims over land that, again, result in land market distortions (Bryant 1996).

The pro-market critique complains that the implementation sequence within state-led agrarian reform, i.e. ‘land redistribution before farm development projects’, has led to an essentially ‘land redistribution-centred’ programme, but one in which, in most cases, the state has failed to deliver support services to beneficiaries. On most occasions, support services were mainly via production and trade subsidies that are universal in nature – and so, in reality, the politically influential sector of large farmers and landlords benefited more than the small farmers. In addition, Deininger and Binswanger conclude that, ‘[c]entralized government bureaucracies – charged with providing technical assistance and other support services to beneficiaries – proved to be corrupt, expensive, and ineffective in responding to beneficiary demands’ (1999, 266–7). Therefore, post-land redistribution development has been uncertain and less-than-dynamic, without widespread efficiency gains, and has ‘resulted in widespread default [in repayments] and nonrecoverable loans’ by beneficiaries (Deininger and Binswanger 1999, 267). Furthermore, it is argued, the state-led approach has driven away credit sources because expropriation pushes landlords (a traditional source of capital) away from farming, while formal credit institutions do not honour land award certificates from beneficiaries due to land sales and rental prohibitions. For the same reasons, potential external investors are discouraged from entering the agricultural sector (see Gordillo 1997, 13).

Finally, according to the pro-market critique, the fiscal requirement of the state-led approach is too costly on the part of the state that buys land from the

landlords. And landlords are paid whether or not the beneficiaries pay anything for the land. This is the same concept of 'sovereign guarantee' that has been applied in government-sponsored credit programmes that have failed in general. Moreover, the production- and trade-related 'universal' subsidies are too costly and wasteful, while the huge land reform bureaucracy eats up much of the programme budget (see Binswanger and Deininger 1997).

In short, Deininger and Binswanger capture the essence of the pro-market critique of the state-led approaches to agrarian reform when they conclude: 'most land reforms have relied on expropriation and have been more successful in creating bureaucratic behemoths and in colonizing frontiers than in redistributing land from large to small farmers . . .' (1999, 267).

The pro-market critique is the most unsympathetic, but arguably the most systematic, critique of state-led approaches to agrarian reform from a strictly economic perspective. The alternative MLAR model has been constructed out of this pro-market critique of the traditional approaches. Deininger explains that the MLAR model is a 'mechanism to provide an *efficiency- and equity-enhancing redistribution* of assets' (1999, 651; emphasis added). Deininger and Binswanger explain that 'this approach can help overcome long-standing problems of asset distribution *and social exclusion . . .*' (1999, 249; emphasis added).<sup>3</sup>

## THE MARKET-LED AGRARIAN REFORM MODEL

This section explores the key features of the MLAR model, and has three parts: (i) getting access to land, (ii) post-land purchase farm development and (iii) financing mechanism.

### *Getting Access to Land*

According to the proponents of MLAR, cooperation of landlords is the most important factor for any successful implementation of land reform. This is the MLAR's guiding principle. Hence, it is a voluntary programme: only the land of landlords who voluntarily sell will be touched; landlords who do not want to sell will not be compelled. Deininger and Binswanger note that, 'this approach . . . aims to replace the confrontational atmosphere that has characterized land reforms . . .' (1999, 267). The willing sellers, in turn, are paid 100 per cent spot cash based on the full market value of their lands. Deininger (1999, 663) claims that '[this

<sup>3</sup> It is important to note, however, that the priority policy of the WB is not land sales-based schemes like MLAR, but rather the promotion of share tenancy reforms anchored in a liberalized land rental market. Deininger said: 'Negotiated land reform is a complement rather than a substitute for other forms of gaining access to land, especially land rental' (1999, 666). Sadoulet et al. explained that: 'Tenancy contracts serve as instruments for the landless to gain access to land and for landowners to adjust their ownership units into operational units of a size closer to their optimum. In providing an entry point into farming, tenancy for the landless holds promise for eventual land ownership and vertical mobility on the "agricultural ladder" . . . We conclude with policy recommendation to preserve and promote access to land for the rural poor via land rental market' (1998, 1). But see Byres (1983) for evidence contrary to such a view.

will provide] a strong incentive for landowners [ . . . ] to sell land [ . . . ].' But Gordillo and Boening caution that, '[MLAR] is targeted in regions with enough excess supply of land relative to the programme of land purchases in order to avoid triggering an increase in land prices' (1999, 10). Deininger (1999, 659) supports this warning and explains that the ideal ratio is 3:1 land supply–demand.

The MLAR model adopts a 'demand-driven' approach in land and beneficiary targeting: only poor families who explicitly seek land and only the lands in demand by potential buyers are negotiated for the reform programme (qualified beneficiaries will be provided with funds to be able to buy lands – this will be discussed below). But it is explained in Buainain et al. that, to ensure success,

only individuals with human capital, previous savings, and adequate knowledge of how to make use of the opportunities would make the decision to participate in the Programme . . . [MLAR will select] local people, who [have] closer relations with landowners, better access to networks of social relations and information on local market of land. (Buainain et al. 1999, 29–30)

And in order to find these 'fittest' beneficiaries, a 'self-selection' process among the prospective buyers is undertaken. This would exclude less promising applicants because peers would not allow them to join the organization that would negotiate for the land purchase and credit access. The creation and development of efficient and competitive individual family farms is the main objective of the MLAR project. However, in order to strengthen the bargaining power of the buyers during the land purchase negotiation, beneficiaries have to form an organization. The formation of a beneficiary organization is also necessary to achieve economies of scale in the input and output markets. These organizations will carry out a 'peer monitoring' process in order to bring down the programme's transaction costs (see Deininger and Binswanger 1999).

Moreover, the model adopts a decentralized method of implementation for speedy transaction and for transparency and accountability. 'It privatizes and thereby decentralizes the essential process [of land reform]', explains Binswanger (1996b, 155). Agrarian reform scholars van Zyl, Kirsten and Binswanger affirm that '[t]he role of government should be to establish a comprehensive legal, institutional and policy framework which will ensure a level playing field for all players (van Zyl et al. 1996, 9). It is partly in this context that MLAR needs local government agencies – for land purchase mediation and tax collection. Local government is assumed to be nearer to the people and so should be more responsive to the actual needs of local communities. Deininger and Binswanger further explain that 'the [MLAR] promises to overcome some of the informational imperfections that have plagued the implementation of land reform by government bureaucracies', via localized market information systems provided by local government units (1999, 267–8).

In addition, the MLAR model is faster because, as Binswanger suggests, '[i]t avoids years of delays associated with disputes about compensation levels' (1996b, 155). Moreover, land prices are expected to be lower because of the 100 per cent

cash payment to landlords who would factor away transaction costs incurred under the state-led approach's cash-bonds staggered mode of payment.

Meanwhile, 'in a clear departure from the traditional approach, the new model would stimulate, rather than undermine, land markets' (Deininger and Binswanger 1999, 267). Prohibitions on land sales and rentals should be abolished to allow for a more fluid land market (Deininger and Binswanger 1999, 269; see Carter and Salgado 2001). MLAR proponents assert that 'closing the gap between agricultural land values and market values of the land makes land more affordable and enhances repayment ability because buyers of land will now find it easier to repay a loan from the productive capacity of the land itself' (van Schalkwyk and van Zyl 1996, 333). This can be done partly through subsidy withdrawal (from large farmers), progressive land taxation,<sup>4</sup> systematic land titling, land sales and rental liberalization, and better market information systems. The MLAR model has better chances of success if there is an efficient land-titling system. Bryant notes that, '[a] "willing-buyers, willing-sellers" formal land market requires that the sellers can certify that boundaries have been demarcated and that the land in question is legally owned by the seller. Buyers are not as willing to buy land unless those characteristics pertain' (1996, 1543). Meanwhile, de Janvry, Sadoulet and Wolford argue that, '[t]he introduction of land markets would allow better farmers to replace older or less skilled farmers, inducing a slow process of social differentiation. This process would gradually transfer the land toward the most competitive farm sizes and the better farmers' (de Janvry et al. 2001, 293–4).

#### *Post-Land Purchase Development*

The MLAR model takes on the programme implementation sequence of 'farm plans *before* land purchase' and so it argues that farm development is assured because no land will be purchased without viable farm plans that emphasize diversified, commercial farming. And because beneficiaries are given a cash grant to be able to develop their farms, development will be quick (Deininger 1999, 666). A portion of this grant must be spent on privatized–decentralized extension services that are strictly demand-driven. Beneficiaries can hire consultants (e.g. NGOs and cooperatives) to assist them with project plans – an approach that is seen by Deininger (1999) as efficient since accountability between beneficiaries and service providers is direct and the process transparent. Moreover, widespread credit and investments are expected to come in quickly because land is acquired via outright purchase and so land titles are honoured as collateral for bank loans. Meanwhile, obstacles to investment, such as prohibition on land

<sup>4</sup> Carter and Mesbah point out that the policy of '[t]axation with progressively higher rates as size of ownership holding increases has been argued to provide large land-owners with the incentive to sell part of their land in order to escape the higher tax rates. This market reform measure is anticipated to increase the amount of land available for purchase by different strata of producers' (1993, 1085–8). According to Deininger and Binswanger: '[l]and taxes have proven very useful in a wide range of urban contexts in developing countries and – if accompanied by appropriate institutions to help with accounting and implementation – should be feasible in rural ones as well' (1999, 265).

sales and rentals by beneficiaries, are absent in the MLAR model. Therefore, investors are likely to come in (Deininger and Binswanger 1999, 265).

Furthermore, it is expected that later some beneficiaries may opt to leave farming for various reasons, and for them the MLAR model offers systematic exit options. As van Zyl and Binswanger explain, '[e]xit packages for non-viable farmers who are likely to go bankrupt have as their objective the increase of the supply of land to the market. These packages can take various forms, including exit bonuses, training for other careers, alternative employment, increased foreign currency allotment and pension schemes' (1996, 418). Allowing beneficiaries to sell and/or rent-out lands is another option (Banerjee 1999).

### *Programme Financing*

The MLAR model adopts a flexible loan-grant financing scheme. Each beneficiary is given a fixed sum of money. The beneficiary is free to use the fund, but in accordance to this rule: whatever portion is used to buy land, that portion is considered as a loan and has to be repaid by the beneficiary (100 per cent of the amount at market rates on loan interest rates). Whatever is left after land purchase is given to the beneficiary as a grant, to be used for post-land transfer development projects and is not to be repaid by the beneficiary. This flexible approach is a safeguard mechanism against possible fund manipulation, and instills the value of 'co-sharing' of risks to avoid a dole-out mentality among beneficiaries (Deininger 1999). It also departs from universal subsidies as it is argued that '[grants] are superior to subsidies because they are immediate, transparent, can be targeted and their distortive effects are small' (van Zyl and Binswanger 1996, 419). This mechanism is also thought to be a key factor that would reduce the cost of land because peasants will go for the best bargain for their money (see Deininger 1999). Finally, the MLAR model is much cheaper than state-led land reforms primarily because: (i) it does away with huge, expensive government bureaucracies, (ii) land prices are lower and (iii) beneficiaries shoulder 100 per cent of the land cost. The model requires national governments to bankroll the initial phase of the programme, but in the long term it counts on private banks for the primary financing of the project. Multilateral and bilateral aid agencies are also expected to invest in the programme (van den Brink et al. 1996, 451), especially on the 'grant side' for post-land transfer development.

In short, in pursuit of its goals, the MLAR model has developed strategies that are exactly the opposite of those in the state-led approach. Table 1 offers a summary.

To a varying extent, the MLAR model has been implemented in Brazil through the *Projeto Cédula da Terra* (PCT) since 1998, in Colombia through the *Agrarian Law 160 of 1994* since 1995, and in South Africa through the *Reconstruction and Development Programme* (RDP) since 1995.<sup>5</sup> Proponents of MLAR

<sup>5</sup> In most WB documents it is claimed that a pilot project for MLAR is also ongoing in the Philippines. This is false. It was only in early 2002 that a small 'feasibility study' has been carried out involving more or less 100 households. For the earlier foiled attempts of the WB to start a pilot project in the Philippines, refer to Franco (1999). Refer also to Putzel (2002) for a related discussion.

*Table 1. Key features of state- and market-led approaches based on the pro-market explanations*

<i>Issues</i>	<i>State-led</i>	<i>Market-led</i>
<i>Getting access to land</i>		
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-centralized; transparency and accountability = low degree	Privatized-decentralized; transparency and accountability = high degree
Pace and nature	Protracted; politically and legally contentious	Quick; politically and legally noncontentious
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
<i>Post-land transfer farm and beneficiary development</i>		
Programme sequence; development and extension service	Farm development plans after land redistribution. Protracted, uncertain and anaemic post-land transfer development; extension service statist-centralized = inefficient	Farm development plans before pace of redistribution. Quick, certain, and dynamic post-land transfer development; extension service privatized-decentralized = efficient
Credit and investments	Low credit supply and low investments	Increased credit and investments
Exit options	None	Ample
<i>Financing</i>		
Mechanism	State 'universal' subsidies; sovereign guarantee; beneficiaries pay subsidized land price; 'dole-out' mentality among beneficiaries	Flexible loan-grant mechanism; co-sharing of risks; beneficiaries shoulder full cost of land; farm development cost given via grant
Cost of reform	High	Low

claim impressive success in these countries. Thus, according to Deininger and Binswanger:

In *South Africa* . . . [t]he success of several 'share-equity schemes,' where beneficiaries form joint ventures with private investors (including former

farm owners), together with evidence from land transactions in the market outside of the programme . . . , point toward *considerable commercial potential for land reform* [ . . . ] In *Colombia*, evaluations show that the results of a community-based pilot programme are *clearly superior* to those of previous programmes and that formerly landless cultivators are *able to establish highly productive* agricultural operations [ . . . ] In *Brazil*, where individual states sought to increase the pace of land reform, a pilot programme to allow market-based acquisition of land by beneficiaries has had *impressive results*, accomplishing the land reform faster than expected. The new approach is *now being implemented nationwide*. Because of its decentralized nature, there is ample scope for innovative ways to ensure that the programme is *targeted to the poor*, that it is *economically viable*, and that it provides *incentives for repayment of the land credit*, all issues that are of critical importance if the programme is to be replicated on a broad scale. . . . (Deininger and Binswanger 1999, 268; emphases added)

Luis Coirolo, the World Bank manager for the *Projeto Cédula da Terra* in Brazil, tells us:

*[Beneficiaries] choose the land and negotiate for its purchase. They decide how to use the land, and what investments are required to make it productive, and what technical assistance they will need. Funds are transferred directly into bank accounts managed by associations [ . . . ]. What has moved me the most [ . . . ] is the farmers' new sense of self-worth. 'Now I am a real human being', people tell me. 'Before, the bank manager would see right through me. Now he receives me as a respected client. I am part of the society.'* (World Bank n.d.b; emphases added).

Buainain et al. also claim that, ' . . . preliminary evaluation of *Cédula da Terra's* first year yields enough information to sustain an optimistic view about its potentials' (1999, 11).

#### THE VARIEGATED POLICY ADAPTATIONS BETWEEN BRAZIL, COLOMBIA AND SOUTH AFRICA

Several of the concepts in the MLAR model have been translated into policy and project components in the three countries, and there are common features among them. On the one hand, each of the three countries has adopted the voluntary nature of the programme. Likewise, the demand-driven approach (e.g. only those who expressed demand for land participate, beneficiaries to form organizations, self-selection process) has been pursued. To ensure that the poor benefit from the programme, in each case income ceilings were imposed – US\$240/month or US\$2880/year in Brazil; people with incomes not more than the equivalent of incomes derived from a 15-hectare farm in Colombia; and R1500/month in South Africa. All the programmes in these countries look for the 'fittest' beneficiaries among the rural poor. In Brazil, for example, they are defined as

those 'local people, who [have] closer relations with landowners, better access to networks of social relations and information on local market of land' (Buainain et al. 1999, 29). In addition, all the programmes in the three countries would 'stimulate association as a precondition for gaining access to land' (Buainain et al. 1999, 17).

Furthermore, the privatized-decentralized method (i.e. the key role of local governments, extension services and the 'farm plans first before land purchase' approach) has been commonly adopted in the three countries. In South Africa, for example, the law states that no land purchase should be made without prior farm plans, and that no farm plans are approved unless four criteria are met: i.e. the poor should be identified and they, in turn, will directly benefit; and there should be projected income increases and negotiated tenure security (Lund 1996, 555). Moreover, all countries have witnessed macroeconomic restructuring that resulted in the substantial withdrawal of farm subsidies and protection from global competition that partly led to a drop in land prices in these countries.

On the other hand, however, the countries in question have not adapted into actual policies or project components progressive land taxation and a systematic land-titling programme prior to, or simultaneous with, the MLAR programme. Moreover, there are some components of the model that have witnessed major revisions: while the flexible loan-grant financing mechanism was adopted in Brazil, it was not strictly followed in Colombia and South Africa. In Colombia, the financing mechanism employed has been the '100 per cent grant' approach. The 100 per cent grant given to beneficiaries is only 70 per cent of the total value of the land to be purchased, with the remaining 30 per cent balance to be put up by the beneficiaries from their own personal fund sources or via credit. This system has similarity with that in South Africa, although beneficiaries do not have to put up equity.

The maximum loan-grant per beneficiary is US\$11,200 in Brazil, US\$21,000 in Colombia (Gordillo and Boening 1999, 10; Deininger 1999, 654) and R15,000 (later increased to R16,000) in South Africa. In Colombia and South Africa, the post-land purchase support services are mainly handled within the general government agricultural programmes. Moreover, Brazil continues to have a parallel 'expropriatory' land reform programme, while by the mid-1990s Colombia still had an expropriatory programme, although it was being phased out by 1996 (see Deininger 1999, 669, n.17). Finally, while selling and renting out lands by beneficiaries are implicitly allowed in Brazil and South Africa, they are explicitly banned in Colombia.

Each country has put forward its own programme targets and financial requirements. The total cost of Brazil's PCT is US\$150 million, with a World Bank loan of US\$90 million and the rest put up by Brazilian federal, state and municipal governments. It aims to benefit 15,000 families and purchase 400,000 hectares of land for a period of three years, 1998–2000. Within the next five years, 2000–2005, an 'expanded-PCT', aiming to benefit 50,000 families per year, will cover thirteen more states with a possible US\$1 billion loan from the

World Bank (World Bank n.d.a).<sup>6</sup> Agrarian Law 160 of 1994 in Colombia has targeted 1,000,000 hectares of land to be redistributed to 65,000 families from 1994 to 1998 with a maximum cost of US\$21,000 per beneficiary. In South Africa, the LRP-RDP has targeted to redistribute 30 per cent of the country's 99.07 million hectares of farmland, or 29 million hectares, aiming to benefit more or less 8 million households from 1994 to 1999 with a maximum cost of R15,000 per beneficiary (Deininger and May 2000, 10). According to the DLA, the beneficiaries will be the 'disadvantaged and the poor' that include the 'urban and rural very poor, labour tenants, farm workers as well as new entrants to agriculture' (n.d., 4).

### POLICY IMPLEMENTATION OUTCOMES IN BRAZIL, COLOMBIA AND SOUTH AFRICA

This section presents and examines the actual outcomes of the MLAR policies in the three countries, providing the main empirical evidence for the arguments advanced in this paper.<sup>7</sup>

#### *Brazil*

(i) *Getting access to land.* Landlords have given a warm welcome to the PCT, and Navarro (1998, 6) believes they will demand that the PCT must replace the state-led INCRA-implemented (Institute for Rural Settlement and Agrarian Reform) land reform. Landlords who sold their land under PCT were paid 100 per cent cash. But big landlords as well as owners of productive land did not sell via the PCT process. Only small- and medium-sized farms that are underutilized and abandoned were actually sold (Buainain et al. 1999, 39). Underutilized and abandoned land comprised 81.6 per cent of all land purchased under PCT. The remainder, the so-called well-utilized land (18.4 per cent) is in fact planted to crops that have old and less productive trees (cacao and coffee) plagued by disease, and

<sup>6</sup> In fact there has already been an expanded PCT since 2001 (see Sauer 2002). See also World Bank (1997a, 1999b).

<sup>7</sup> The following unpublished documents proved crucial to the purposes of this paper. For Brazil, the evaluation conducted by Buainain et al. (1999) focuses on socioeconomic indicators, while the assessment made by Brazilian sociologist Zander Navarro (1998) focuses on the political-institutional dimensions of the PCT. The two evaluations, both commissioned by the World Bank, have rather big survey samples (fourteen regions in Buainain et al., while several states in Navarro). Meanwhile, Groppo et al. (1998) highlight socioeconomic indicators but only in one state – Ceará. Documents for Colombia are rather scarce, and this paper relies mainly on two documents – Deininger (1999) and Forero (1999), the latter is a World Bank-commissioned evaluation of several pilot municipalities. Both focus on the later adjustments made in the programme, although 'scattered' references to the original implementation yield substantial data. For South Africa, this paper uses mainly the various documents from the Department of Land Affairs (DLA), the World Bank-sponsored evaluations (Deininger et al. 1999; Deininger and May 2000), and independent scholarly studies. The cited documents do not have uniform emphases or richness of detail, but evaluation documents in the Brazilian case have the most details relevant to his paper. It must be noted that most of these unpublished documents are not easily accessible to the general public. Moreover, most of the WB evaluations have concluded, despite the empirical findings, in favour of the MLAR model.

whose market prices have dropped radically for the past years. In short, the so-called well-utilized land is that of bankrupt farms, while the majority of PCT land is in remote, less populated areas, without road access, without irrigation and electrical installations, and far from the local markets (Buainain et al. 1999, 71).

Moreover, the beneficiaries are generally from the rural poor, but not the poorest of the poor since beneficiaries 'have not been "marginalized" or excluded from the economy' (Buainain et al. 1999, 19–30/85; original quotation marks). The average pre-PCT (1998) entry annual income of beneficiaries was R\$2057.82, which is below the maximum income limit requirement imposed by the PCT at R\$3312/year (US\$2880), but is above the national poverty line of R\$1383.00. Nevertheless, by the standards set by PCT, the beneficiaries are not the 'fittest type', since 'they are not experienced in the use of "modern" agricultural practices and trade [ . . . ]' (Buainain et al. 1999, 85, 96; original quotation marks). The average farm size per beneficiary is 27 hectares.

To a large extent, the beneficiary (self-)selection process has been manipulated by local government officials, interested church people and elite peasant leaders. These local elites controlled the information about the project and selected by themselves the beneficiaries (Navarro 1998, 19). In fact, Navarro finds that, in some regions, 'the friars are who decided who could or could not be part of the association to be formed', as he points to 'the manipulation of the local peasants . . . induced into forming associations, not knowing the conditions . . . of the process' (Navarro 1998, 15, 19). Navarro observes that 'in other places [under PCT], the interested are farmers and local leaderships who "choose" as they will the association members, hiding from them crucial information about the PCT. Almost all the visited sites have less or greater influence of a minority group . . .' (1998, 24–5, 41). Buainain et al. admit that 'the [self-selection] process [has not] been happening in such a "pure" way, and part of the beneficiaries were actually "selected"' to participate [ . . . ] The "selected" beneficiaries [ . . . ] were those who first obtained information about the Programme, either sought after to participate or were invited and stimulated to join it' (1999, 84; original quotation marks).

Furthermore, in most of the states he evaluated, Navarro found that 'the associations merely had an instrumental orientation – to get access to the different projects . . . where they were obliged to be formed into associations . . . [ . . . ] The constitution of the associations in the visited States has obeyed a logic that clearly threatens the structure and stability of the PCT because they do not represent the interests of the people who are associated to them' (1998, 21–2, 23). And if this continues, Navarro believes that 'the chances of sustainability of the associations will be minimum' (1998, 28). Many, if not the majority, of the beneficiaries visited by Navarro wanted to pursue individual farming, but the PCT operators have prevented them from doing so. The internal conflicts within the beneficiary organizations (caused partly by the manipulation by beneficiaries coming from the ranks of the rich peasants and other rural elites) have forced some beneficiaries to abandon the purchased lands (Navarro 1998, 19).

The PCT has been implemented largely in a decentralized manner. However, instead of the promised transparency and accountability, the result was the opposite: local elites rigged the process of programme implementation. For example, local government officials arbitrarily intervened in the selection of beneficiaries, lands to be purchased and prices, and in types of development undertaking (see Buainain et al. 1999, 83–4, 35, 93).

The PCT land purchase process is indeed faster than that in the state-led INCRA-implemented programme – less than five months were taken to complete the process. However, contrary to earlier predictions and current claims – and despite 100 per cent cash payment to landlords – the average land price per hectare under PCT projects was even slightly higher than that under state-led INCRA projects (in real terms/present value), at R\$177.98 and R\$177.02, respectively (see Table 11 in Buainain et al. 1999, 57). This finding is corroborated by another evaluation led by the FAO carried out in the state of Ceará. But in the latter assessment, the average PCT land price was 30–50 per cent higher than those under the INCRA-purchased lands (Groppo et al. 1998, 4–5).

Unfortunately, the PCT evaluation documents do not explicitly address the programme's impact on land markets, and vice versa. On the one hand, it is theoretically assumed that there should be ample supply of land in the market because of the sharp drop in prices (60 per cent) between 1994 and 1998 (Buainain et al. 1998, 8). This is also reflected in what Buainain et al. have said: 'though the evaluation study has not carried out a land market survey, the team learned that a number of properties [sold through the PCT] had been on sale for 2 to 3 years' (1999, 49). Yet, despite these favourable conditions, land prices under PCT were not as low as earlier predicted. On the other hand, the impact of the PCT land acquisitions on the land market seems to suggest an outcome opposite to what was expected – that in fact the PCT might have triggered land price increases.

*(ii) Post-land purchase farm and beneficiary development.* The sequencing of 'farm plans before land purchase' seems to have not been implemented to a satisfactory degree in the PCT and the pace of development appears to be not as quick as earlier predicted. Thus, the private extension service providers have focused on land purchase negotiations. In addition, government extension services continue to be tapped and expected to be crucial in the future since the PCT's grant money proved insufficient.

Moreover, the immediate post-land transfer activities have concentrated on resettlement complexities since beneficiaries were moving into new lands where they did not have previous settlements, this draining the allotted grant per beneficiary quickly. Buainain et al. admit that, between early 1998 and mid-1999, 'part of the resources . . . was allocated to: a) subsistence expenses which consumed wholly or partly the amount of R\$130/month/family; b) construction or reform of the residences; and c) infrastructure construction: roads, installation of electric systems for the raising and storage of water for human and animal

consumption' (1999, 57–8).<sup>8</sup> Furthermore, the marginal character of the purchased lands, their distance from local markets, and the general absence of road access, electrical and irrigation facilities have made the task of farm production quite difficult if not impossible (Buainain et al. 1999, 47–9, 71, 88). Partly for these reasons, the diversified commercial farming required in the farm plans has not emerged and, instead, subsistence crop production has dominated the actual farm projects (Buainain et al. 1999, 96–103). In terms of credit and investment, the outcomes are not as predicted. The beneficiaries did not use their land titles to secure bank loans despite the rapid exhaustion of their grants – and there seems to be no hint that they will use them in the future, as there are no signs of external investment coming in. Finally, there are no indications of the existence of alternative/complementary off- and non-farm livelihood projects. In fact, exit options for beneficiaries who wanted out of the farm associations have been denied (as indicated earlier). In the main, the rapid development and income increases, earlier predicted, are unlikely to happen.

Buainain et al. conducted a simulation study on fourteen regions under PCT to determine, based on the initial farm production plans, future income movements and the ability of beneficiaries to repay their loans (1999, 96–101). They conclude that the overwhelming majority of beneficiaries will be able to pay their debts and cross the poverty threshold (in ten out of fourteen regions). But Buainain et al. use R\$1383.00 as the benchmark in predicting income movements in the future. This is questionable because the average pre-PCT entry annual income of beneficiaries was R\$2057.00 (Buainain et al. 1999, 24–5). Hence, the latter amount, and not the national poverty line, is the logical figure that should be used as a benchmark for predicting future income movements. If the R\$2057.82 income level is used, Buainain et al.'s own calculations show that nine out of the fourteen regions studied would in fact register income *decreases*, while the rest would post modest increases. In addition, six out of the fourteen studied regions are likely to have incomes below the national poverty line. The FAO-led evaluation (i.e. Groppo et al. 1998, 9–12) has similar findings for the state of Ceará.

(iii) *Programme cost and financing strategy.* The total cost of reform per beneficiary has proven to be higher than the US\$11,200 pegged by the PCT. The average land cost per beneficiary was R\$4811.09 (US\$4200 or close to two-fifths of the total fund per beneficiary at RS1.15 = US\$1.00 in 1998 – Buainain et al. 1999, 57), but the unanticipated expenses related to resettlement activities drained the grant money earmarked for farm production. For example, the daily subsistence allowance alone took US\$115, or US\$1380 for the full year of transition before farm productions started, representing 20 per cent of the total grant (US\$7000) per beneficiary (US\$11,200 minus US\$4200 land cost = US\$7000 for development projects). These expenses do not include costs for housing and basic infrastructure. In fact, the PCT operators and beneficiaries are already demanding

<sup>8</sup> See the extensive discussions in Buainain et al. (1999, 40/47–9/57–8/71/90/96–101) and Navarro (1998, 40).

additional support from the state. Buainain et al. admit that: ‘. . . the consolidation of the Programme may eventually require additional support. The challenge is how to introduce safeguards to avoid that beneficiaries and future beneficiaries anticipate the action of the state institutions and incorporate their interference as some kind of tutelage on the Programme, with well known negative consequences’ (1999, 94). There are doubts whether beneficiaries can pay their debts that carry 4 per cent interest rate per annum, payable within 10 years (Sauer 2002).

It is very difficult to derive from the foregoing the conclusion either that the Brazilian MLAR programme has been blessed with success or is likely, on its own terms, to be successful.

### Colombia

(i) *Getting access to land.* The generous grant to beneficiaries (maximum of US\$21,000/beneficiary) to buy lands in cash has attracted the full support of landlords, and most of those who sold lands were owners of marginal, underutilized and idle lands, far from local markets and without good road access or irrigation facilities (Deininger 1999, 669). Landlords are paid 100 per cent cash. Through the ‘demand-driven’ approach and due to the high income ceiling required (equivalent to income derived from a 15-hectare farm – large by Colombian standards) to join the programme, the beneficiaries are rich peasants. This has led to what Deininger (1999, 656) calls the capture of the programme by the ‘agrarian bourgeoisie’. Later, the income ceiling amount was reduced by one-third (=10-hectare farm). Still, many poor families were excluded due to their inability to process volumes of required paper work and their previous unpaid bank debts (Forero 1999, 4–12). The following admission by Deininger is revealing:

Given their limited endowments and experience, potential beneficiaries are generally *unable* to go through the steps required in a ‘negotiated’ type of land reform *without assistance* . . . While many were in a great rush to receive land, their *ability* to negotiate or manage resources was clearly *limited*. Furthermore, even though many beneficiaries came in pre-existing groups, these groups were often based on coincidence more than on similarity of interest. Their *capacity to resolve* internal conflicts or to devise effective strategies to achieve common goals was *low or non-existent*. Problems that will inevitably arise in jointly establishing and sustaining an agricultural enterprise would probably have led to the *paralysis or breakup* of many of these groups. (Deininger 1999, 660; emphases added)

Moreover, regular farmworkers of big landholdings refused entry of outsiders into the purchased farms, despite the fact that such farms when split only among the farmworkers regularly employed by the former owner would result in unreasonably large farm size per beneficiary (see Forero 1999, 6–18). Furthermore, several processes within the programme have been highly centralized at the

national level, such as land price assessments and payments to landlords. Moreover, non-transparency is a central problem in the process as crucial information about the programme has been withheld and processes have been rigged by various actors. In fact, Deininger admits that, the 'lack of dissemination of the law prevented a truly democratic process at the local level' (1999, 656). The predicted quick pace of land purchases has not materialized. Six years into its implementation, the programme was able to purchase less than 10 per cent of the total target of one million hectares for 1994–1998. And land prices are not as low as earlier projected. In many areas, the average was COP 2.8 million/hectare<sup>9</sup> (calculated from Forero 1999, 4–22), which is high by the standards in marginal lands in rural Colombia.

In addition, the main target of the programme has been underutilized and idle land. However, the majority of such land is pastureland that comprises 75 per cent of the country's potential cropland (see Forero 1999), and the livestock sector continues to enjoy state subsidies, so that, by MLAR analysis, the land market in this sector is distorted. But there is ample supply of land, according to MLAR proponents, especially because there are also vast tracts of idle land as a result of the continued violence in the countryside, but also because of the unproductive and under-utilized cattle ranches (Deininger 1999).<sup>10</sup> Hence, in terms of the land market, while the high land price levels can be explained by landlord–(rich)peasant–local government connivance to overprice land purchases (Deininger 1999), the cash grant mechanism might have also triggered increases in land prices.

(ii) *Post-land purchase farm and beneficiary development.* The sequence of 'farm plans before land purchase' appears not to have operated in the Colombian programme. The package of support services is incorporated within the general government agricultural programmes, while extension services remain largely controlled by national state agencies, and it is through these agencies that beneficiaries of the MLAR programme try to solicit support. But the marginal land purchased requires substantial resources to make them productive. And so, post-land purchase development is clearly not as rapid as earlier predicted, and is definitely uncertain. Meanwhile, there are no indications that beneficiaries have used their land titles to secure bank loans, and no evidence of external investment coming in. A few years after the start of the programme, many redistributed farms were already considered a 'failure' (World Bank 1997c, 1–5; Deininger 1999, 661).

(iii) *Programme cost and financing strategy.* The concept of flexible loan-grant package was not strictly followed. Instead, a fixed 70 per cent of the total cost of land purchase is given as a 100 per cent grant by the state to every beneficiary (Deininger and Binswanger 1999, 268). The remaining 30 per cent of the total land cost will

<sup>9</sup> This is equivalent to more or less US\$1000, under a foreign exchange rate of roughly US\$1.00 = 2800 Colombian Peso (COP) in that period.

<sup>10</sup> See Kay (2001) for a related discussion on the *la violencia* in the Colombian countryside.

have to be put up by the beneficiary as counterpart (supposed to be raised either through personal savings or via bank loans). The maximum grant was US\$21,000 per beneficiary. This financing mechanism has led to widespread overpricing of land compared to the previous state-led, INCORA-implemented (the state agency tasked to implement agrarian reform) programme. As Deininger explains:

Landlords have in many instances overstated the price of land, and *by covering the complete land value with the 70% grant, obtained a subsidy element of 100%*. Consequently, in 1996 the price of land acquired through [state-led] ‘direct intervention’ by INCORA (under a residual budget) was *lower* than the price of land acquired by beneficiaries through [market-led] ‘negotiated’ land reform in the open market, leading to widespread dissatisfaction and calls for the return to the interventionist paradigm. (Deininger 1999, 669, n. 17; emphases added)

The dismal performance of the MLAR programme in Colombia forced the World Bank to intervene directly (World Bank 1997c, 1–5). Since 1997, the Bank has extended a loan to the Colombian government but focusing only on a few municipalities to pilot-test its suggested corrective policy measures. In the pilot areas, the flexible loan-grant financing mechanism was introduced, participating local governments were required to produce comprehensive land reform plans before they could receive project funding, while other components in the MLAR model have been incorporated into the pilot project. It is at this point that the policy on the ratio of 3:1 land supply–demand was introduced (Deininger 1999, 659; Gomez 1999, 11). The World Bank loaned US\$300,000 in 1997 for the pilot project (five municipalities) that has a total cost of US\$800,000 (World Bank 1997c).

Initial evaluation seems to have produced hope among the MLAR proponents. They claim that in some areas, land prices were reduced from COP 2.8 million/hectare down to COP 2.0 million. But while development projects are thought to be better than the previous ones, the dominance of subsistence crop production remains a serious concern for the MLAR proponents (see Forero 1999, 1–22). Privatized extension services have been introduced in the pilot communities, but the average cost was staggering – US\$1800/beneficiary (see Deininger 1999, 660). Moreover, the value of the skills development training so introduced to beneficiaries is highly questionable (see Forero 1999). Yet, the pilot programme’s credit component remains a problem. As Forero notes, ‘the general sentiment of beneficiaries is that: “credit is neither quick, nor in the right time, nor cheap!”’ (1999, 7). Finally, the observation made by Deininger regarding the impact of the organizational requirement among beneficiaries in the pilot *municipios* is equally revealing: ‘Indeed one of the surprising insights from the pilot was that virtually all of the groups [of peasants] that had initially existed were disbanded and replaced by new ones that were based more on commonality of interest (e.g. specific production system) or complementarity in experience’ (1999, 670, n. 27). This suggests that pre-existing community organizations where ‘social capital’ might have been constructed slowly over time may have

been undermined by the project-oriented organizing initiative by the MLAR programme. Hence, while the Bank is hopeful with respect to the pilot project, in the end, it is not all clear how the administrative adjustments might introduce changes in the programme, especially because the World Bank-commissioned evaluation of this pilot programme (i.e. Forero 1999) has covered very few project sites.

The MLAR experience in Colombia proved to be no more successful than in Brazil, and would seem to hold out no more hope of future success.

### *South Africa*

(i) *Getting access to land.* Landowners in South Africa have welcomed market-based land reform: especially inasmuch as the Rural Development Programme (RDP) has three main components (land reform, restitution and land tenure/leasehold) from which landowners may 'choose' which option to take.<sup>11</sup> According to Levin and Weiner '*the overwhelming majority of persons wanting land understand land reform within the context of restitution*' (1997, 257; original emphasis), and the latter would involve restitution claims mostly on white commercial farms and plantations (Levin and Weiner 1997; DLA n.d.). Hence, by declaring most of the productive land under the land reform programme (LRP) rather than under the restitution programme (or because the RDP in effect gives commercial farmers the option to evade restitution), plus the 100 per cent cash payment, most white commercial farmers have embraced the MLAR approach (see Levin and Weiner 1997). In fact, accomplishments in the restitution (and leasehold/tenure reform) programme of the RDP had been negligible (see Lahiff 2001).

To select the poor, the income ceiling imposed by the LRP-RDP for entry into the programme is R1500 per month, and thus the self-selection process is not exactly operative because anyone who has a monthly income below this amount is, in principle, entitled to get the grant for land purchase. Yet, 25 per cent of beneficiaries have incomes above the poverty line (Deininger and May 2000, 14), indicating that the non-poor have availed themselves of the programme. Moreover, 71 per cent of the total beneficiaries are organized into the mandatory associations that, in turn, operate the purchased farms (Deininger and May 2000, 12). (The size of these associations varies geographically, with a national average of 25 household members – DLA 2000.) As in Brazil and Colombia, internal conflicts between beneficiaries within these organizations are widespread and mostly related to attempts of a few elite beneficiaries to control the organization and its decisions (Deininger and May 2000, 12).

The LRP-RDP was designed as a decentralized programme, but, in reality, it has been highly centralized with project approvals done at the Department of Land Affairs (DLA) national offices. It was only recently that the decision to

<sup>11</sup> In South Africa, approximately 87 per cent of agricultural land is held by almost 67,000 white farmers and accommodates a total population of 5.3 million. The remaining 71 per cent of the population, which is predominantly black, live on 13 per cent of the land in high density areas – the former homelands (van Rooyen and Njobe-Mbuli 1996, 461).

fully decentralize the operation was taken ‘embedding Land Reform in provincial and local government structures . . .’ (DLA 1999a, 40; 1999d). Moreover, the LRP-RDP process has not been transparent: as MLAR proponents point to the ‘severe informational asymmetries’ in the programme (Deininger and May 2000, 13; Deininger et al. 1999). Meanwhile, consummating a land purchase takes 14 months or more. As a result, with the target of redistributing 29 million hectares from 1995 to 1999 to more or less eight million households, only 480,000 hectares have been transferred to 200,000 households. This output constitutes 1.65 per cent of the total target lands and 2.5 per cent of total target rural poor. Moreover, the national average land price was R267/hectare, but there are no past or parallel (state-led) land reforms with which to compare this price.<sup>12</sup> The nature and slow pace of land redistribution is now questioned within government and severely criticized by NGOs (Hlatshwayo 2001; Lahiff and Cousins 2001).<sup>13</sup>

The prices of land in South Africa have ‘declined dramatically’ in the light of macroeconomic and agricultural liberalization programmes, in which most subsidies have been withdrawn, although some credit subsidies remain (van Zyl 1996, 604). Thus, ‘there has been a considerable increase in the supply of land in the market’ (Deininger and May 2000, 5) and so, lower land prices should have had occurred. Yet, there are hints of the possibility of widespread overpricing in land purchases (Murray 1996, 243).

(ii) *Post-land purchase farm and beneficiary development.* The LRP-RDP does not have a substantial integrated post-land transfer development support fund, as this responsibility rests on other state agencies. This means that the DLA goes ahead with land purchases without prior farm plans and clear post-land purchase development intervention. Given the lack of inter-agency coordination – or sometimes, indeed, conflicts between agencies since the Department of Agriculture has had a pro-large scale agricultural production bias moulded during the apartheid regime – immediate consolidation of purchased lands is unlikely to occur as quickly as assumed in the MLAR model. But a ‘planning grant’ equivalent to 9 per cent of the total project cost is given to qualified beneficiaries before land purchase. But on most occasions, extension service providers have questionable backgrounds and agendas (Deininger 1999, 666), and so the quality of these services is suspect. For example, the Department of Land Affairs (DLA) found that 90 per cent of all the ongoing projects have little or no correspondence between the previous plans and the actual projects.<sup>14</sup> Moreover, the very

<sup>12</sup> Refer to DLA (2000, 1999a, 1999c, 1998, 1997).

<sup>13</sup> By the end of 1999, the DLA decided to scale down its targets to 15 per cent of the total farmland up for redistribution within the next five years (DLA 1999a, 2). This means a total five-year target of 4.35 million hectares from 2000 to 2005, with a yearly average output of 0.87 million hectares per year. While this is a radical scaling down of the original target and intention of RDP, the figures in the adjusted goal remain higher than the DLA’s accomplishment record for the past five years. See also DLA (1999b, 1999e).

<sup>14</sup> Cited in Deininger et al. (1999, 17).

small average farm size at 2.61 hectares/beneficiary (the size the maximum grant could afford to buy) gives no promise of short- or long-term development (Kepe and Cousins 2002).

Meanwhile, partly due to the absence of a systematic post-land transfer strategy and resources within the DLA, credit did not and is unlikely to come in on a widespread scale, save for a few groups who were able to forge joint venture agreements with external investors (Deininger et al. 1999, 14). But these joint ventures are in need of some sort of protection from the state or other pro-reform groups so that the terms of contracts are not lopsided, especially when there is real danger that 'bankrupt white farmers who want to clean up their balance sheets through a land reform grant would attempt to take advantage of the situation and manipulate it in their favour' (Deininger et al. 1999).

(iii) *Programme cost and financing mechanism.* The flexible loan-grant has not been adopted. A one-time settlement/land acquisition grant of R15,000 (later increased to R16,000) is provided to everyone with a monthly income below R1500. The grant of R16,000 seems to be small compared to the asking price of landowners. Hence, the result was a very small average farm size in the programme, at 2.67 hectares/beneficiary. By 2000, however, significant adjustments were made, and a sliding mechanism was introduced where the government would subsidize as follows: 70, 40 and 20 per cent for the small, medium and large sized projects, respectively, and where all types of lands will be eligible for funding, namely, commonage, communal and commercial farming (DLA 2000, 2). The impact of this adjustment remains to be seen. Meanwhile, the total projected cost between 1995 and 2002 is R2.136 billion. The current fiscal conditions of South Africa necessitate support from multilateral and bilateral aid agencies, either via loan or grant for the LRP-RDP – but they come only in modest amounts (DLA 2000; see Lahiff 2001, 1).

Table 2 provides the highlights in the implementation outcomes of the MLAR model in Brazil, Colombia and South Africa.

## CONCLUSIONS

The foregoing treatment of MLAR implementation in Brazil, Colombia and South Africa provides sufficient empirical data to allow a re-examination of the MLAR basic assumptions.

Leading MLAR proponents have admitted that the initial MLAR implementation outcomes in South Africa and Colombia have, to a varying extent, fallen short of earlier expectations. However, they blame technical and administrative reasons for these shortcomings, and maintain that the fundamental assumptions of the MLAR model remain relevant. We disagree and question the central assumptions of the MLAR model.

First, the underlying assumption that peasants and landlords will behave in a particular, supposedly 'rational', way, given proper institutional rules and incentives, may not be true in most rural settings. For example, the empirical

Table 2. Highlights of MLAR implementation outcomes

<i>Issues</i>	<i>Brazil</i>	<i>Colombia</i>	<i>South Africa</i>
<i>Getting access to land</i>			
Willing sellers	Popular support from landlords	Popular support from landlords	Popular support from white commercial farmers
Willing buyers	Beneficiaries' pre-entry average income above poverty line; elite peasant leaders took control of the organizations	Beneficiaries: 'agrarian bourgeoisie' who took control of the programme	25% of beneficiaries above poverty line
Decentralized	Substantially decentralized, but manipulated by local governments and other elites; generally not transparent, not accountable	Highly centralized; process manipulated by local elites like land overpricing; generally not transparent, not accountable	Highly centralized, and processes not transparent, not accountable
Land prices	Land prices not low as expected – higher than that in state-led programme	Massive land overpricing; prices higher than that in the state-led approach	No parallel land reform to compare with, but possible overpricing
Land market	Depressed land prices (60% decrease from 1994 to 1998), but high land prices in PCT. No progressive land tax; no land titling programme	Depressed land prices prior to MLAR, but MLAR triggered increases in land prices; no progressive land tax; no land titling programme	Depressed land prices, but land prices under LRP-RDP high; no progressive land tax, no land titling programme

Table 2. (Cont'd)

<i>Issues</i>	<i>Brazil</i>	<i>Colombia</i>	<i>South Africa</i>
<i>Post-land purchase farm and beneficiary development</i>			
Sequence and pace of development	'Farm plans before land purchase' approach not satisfactorily implemented; pace of development slow and uncertain; extension service privatized but poor quality	'Farm plans before land purchase' approach not satisfactorily implemented; pace of development slow and uncertain; extension service within general government programme	'Farm plans before land purchase approach' not satisfactorily implemented; pace of development slow and uncertain; extension service within general government programme
Credit and investment	No evidence*	No evidence*	Low; isolated cases
Exit options	Exit options denied (no exit from farm collectives)	No evidence of systematic exit options	No evidence of systematic exit options
<i>Financing</i>			
Flexible loan	Implemented but failed to achieve objectives	Not implemented; used method 70% of land price in 100% grant (30% of land cost from the beneficiary)	Not implemented; used method 100% grant for land purchase, but no development project grants
Programme cost	US\$11,200/beneficiary not sufficient	US\$21,000/beneficiary; land purchase subsidy not sufficient (nothing for development projects)	R16,000/beneficiary not sufficient (and nothing for development projects)

\* The internal documents of the Bank and other initial studies on these programmes do not mention the projects' performance in credit and investment despite their prominence in the theoretical model. It is most likely that the earlier prediction in this regard has not materialized at all.

evidence from Brazil, Colombia and South Africa puts into serious question the MLAR assumption that landlords will lower the asking price for their land when it is transacted under 100 per cent spot cash payment at 100 per cent market value of the land. In fact, most landlords attempted, successfully, to overprice their land sale transactions. Land price setting (or 'fixing') in the countryside of developing countries today is determined by class and political power in a manner not recognized by the MLAR proponents. Politics play a crucial function; and the power of dominant classes to influence price setting for land regardless of its true economic value is crucial. On the other hand, landless poor peasants have no power to manipulate land prices downward, even if they wanted or attempted to (see Riedinger et al. 2001). Besides, the required 3:1 ratio in land supply–demand certainly does not exist in many parts of the rural world.

Second, and related to this, the MLAR assumption that peasants (usually viewed as a homogeneous mass) and landlords can become willing buyers and willing sellers, and can negotiate freely and fairly ignores the nature and dynamics of political power relations that exist in most rural areas of developing countries. The further assumption that information provision and financial assistance are sufficient to correct existing skewed political power distribution between the landed dominant classes and poor subordinated classes is not supported by the empirical evidence from Brazil, Colombia or South Africa. Effective articulation by the poor rural subordinate classes requires political power, because in most cases the process of organizing, processing and articulating demands is constrained by the very social and political environment that necessitates the land-based demands of the poor. More concretely, the rural poor demand land, but it is often difficult for them to effectively articulate those demands because of their political powerlessness that derives from their class position. Many poor households are likely to lose their prior (and superior) claims to specific farmlands because of their failure to articulate effectively their demands under the conditions set by the MLAR programmes. More generally, the MLAR model tends to dismiss the importance of the disproportionate distribution of political power between different social groups interested in land. This is a critical issue, especially because the core process in the MLAR model is about 'negotiation' between parties. Where there is asymmetry of class power and, therefore, of political power, it is inconceivable that a landless poor peasant can have the same degree of bargaining power as a rich landlord in a negotiation for land purchase.

Third, the assumption that decentralization guarantees transparency and accountability, administrative efficiency and speedy policy implementation is highly questionable, and most especially in the context of redistributive reforms like land reform. The rural polity of most developing countries today is a patchwork of 'local authoritarian enclaves' (see Fox 1990). In this context, the critical literature on decentralization is rich with insights relevant to the current discussions on agrarian reform. We may take some examples from contexts other than those considered above. In Peru in the 1920s, Mariategui 'sympathized with the provinces' opposition to centralism, but argued that as long as the traditional landowners of the Sierra retained power at the regional and local levels decentralisation

could not resolve the pressing social and economic problems of those zones' (1952, cited in Slater 1989, 511). Two decades ago, Griffin warned that, '[i]t is conceivable, even likely that power at the local level is more concentrated, more elitist and applied more ruthlessly against the poor than at the centre' (1980, 225). More recently, Manor argues that, 'decentralisation empowers arenas dominated by groups less, not more, amenable towards redistribution than those who dominate higher levels' (1997, 11). Yet, the MLAR proponents seem to have disregarded the realities in the rural (local) polity in developing countries that have been described by scholars over time. The MLAR model appears to try to isolate the technical/administrative issues in project/policy implementation from the political contexts within which MLAR operators and clients are embedded. But as Boone explains, decentralization schemes cannot be treated as technically neutral devices which can be 'implemented' without constraint, as if there were no pre-existing social context: 'Governments may have important stakes in established powerbrokers and in established, local-level social and political hierarchies that can extend beyond the reach of the state' (1998, 25; see also Bernstein 1998). In the MLAR's voluntary land purchases, it is likely that the very local officials who are asked to mediate in the buying negotiations are the same landlords who want to sell land in the programme. Thus, the MLAR assumption that decentralization will effect and speed-up land redistribution and make the process accountable and transparent seems to have no empirical basis, as partly shown in the experiences in Brazil, Colombia and South Africa.

Agrarian reform – one that is truly redistributive, and based on the twin foundations of economic development and social justice – remains urgent and necessary in most developing countries today. But the market, as advocated in the MLAR model, cannot carry out a redistributive function in the way that the state can. Empirical evidence from the initial implementation of the MLAR model in Brazil, Colombia and South Africa suggests that the model simply does not work in the manner predicted by its proponents. Quite clearly, the actual outcomes are not what the MLAR's proponents claim. If the model is not working in countries like Brazil, Colombia and South Africa, then it is just as unlikely to work elsewhere.

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