

# Agrarian Reform and Poverty Reduction in the Philippines

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## 1. Introduction

That sustained increases in national income – that is, economic growth – are required for poverty reduction is no longer debatable. Every country that has chalked up significant achievements in poverty reduction and human development has also done quite well in securing long-term economic growth. The association is not unexpected: economic growth is an essential condition for the generation of resources needed to sustain investment in, among other things, health, education, infrastructure, and good governance (law enforcement, regulation).

The suggestion that achieving higher economic growth should be at the forefront of the policy agenda does not imply that there is nothing else that can be done to enhance the poverty-reducing effects of growth. Indeed, some countries have been more successful than others in generating poverty reduction, even after controlling for differences in rates of income growth. There is evidence to suggest that the response of poverty to economic growth is quite muted in the Philippines compared with its Asian neighbors, especially Indonesia, Thailand, and Vietnam (Balisacan 2003, 2007). This has been attributed to a number of factors, but most importantly to the highly unequal distribution in access to opportunities and wealth. This, in turn, has been an outcome of the country's choices of development strategy, policy and investment regime, and national and local institutions governing economic transactions, including land relations (see Balisacan, Hill, and Piza 2007 for an overview of recent development experience).

A recent strand of the economic development literature posits that a country's initial land distribution influences its *subsequent* economic growth and human development performance (see, e.g., Vollrath and Erickson 2007; Deininger and Squire 1998). The evidence suggests that, on the average, a developing country with an initially high land inequality is expected to have a lower long-term income growth rate and slower pace of poverty reduction than a country with a more favorable land distribution. Thus, apart from its direct effects on poverty, high land inequality also affects poverty indirectly through its downward effect on long-term income growth rate. Put differently, improvement in land inequality is not just about advancing equity goals; it is also about raising the trajectory of income growth by improving overall economic efficiency.

In the Philippines, rural poverty and rural insurgency problems have often been linked to access to land and tenure relations. Poverty incidence is relatively high among landless agricultural workers and farmers cultivating small plots of land. Moreover, in regions where the concentration of land ownership is relatively high, the incidence of poverty is correspondingly high (Hayami, Quisumbing, and

Adriano 1990; Balisacan 1993, 2003; ADB 2005). Rural unrest and insurgency in these regions have tended to be also more pronounced than in other regions. These associations do not, of course, imply that limited land access is, by itself, the only factor that has contributed to existing rural poverty, nor do they suggest that it is the sole factor that has spawned rural insurgency. The limited growth of productive employment opportunities outside of agriculture and the country's relatively high population growth may have been equally important determinants of rural poverty. Nonetheless, it remains true that institutional and policy changes concerning access to land resources have an important bearing on poverty reduction. Moreover, these changes demonstrate the government's resolve to address the issue of income and asset inequality. In fact, the various Government administrations since the Second World War have used land reform, albeit in various forms and intensity, as a key element of their poverty reduction strategies, as well as a tool to address social unrest in the rural areas.

This paper distills the evidence on the impact of the agrarian reform programs in the Philippines, as well as the lessons learned from them, as seen from the lens of international experience. The next section briefly reviews the literature on the link between land inequality, on the one hand, and economic growth and poverty, on the other. The paper then describes the Philippine efforts in improving agrarian structure (land distribution and tenure relations) during the postwar period, but with focus on the Comprehensive Agrarian Reform Program (CARP), which has been the landmark agrarian initiative since the late 1980s. It next provides a synthesis of the results from recent assessments on the impact of CARP at the micro and macro levels. The paper concludes with a summary of the lessons learned and emerging agrarian challenges in the Philippines.

## **2. Land Inequality, Growth, and Poverty: Theory and Evidence**

There is now increasing recognition that poverty reduction requires no less than sustained economic growth. Invariably, in developing countries where growth had been rapid and sustained for a considerably long period, the incidence of poverty has improved, as had other indicators of human development (Chen and Ravallion 2007; Cline 2004; Sachs 2005; Deininger and Squire 1998). In a number of East Asian countries, rapid growth was associated not only with rapid decline in absolute poverty, particularly in rural areas, but also with improvement in income distribution. Even in most countries where rising inequality accompanied rapid growth (such as China and Thailand since the 1990s), absolute improvement in command over basic goods and services in the entire range of the income distribution more than offset the negative effect of inequality on the poor.

One focus of the development literature has to do with the influence of *initial* distribution of income on *subsequent* economic growth (and, hence, poverty). Early empirical work making use of cross-section national data shows an inequality-growth link: initially high inequality tends to reduce subsequent growth, all other things being equal (see, e.g., Alesina and Perotti 1994; Bruno et al. 1995). However, later work involving a more nationally comparable and comprehensive data set than those used in earlier empirical studies suggests that *it is not the inequality in income distribution per se that is systematically related with growth, but rather the inequality in the distribution of physical assets, particularly land*. Using land distribution as a proxy for the distribution of physical assets, Deininger and Squire (1998) show that initial inequality of assets has a significant effect on subsequent growth both in the overall sample (of developed and developing countries) and for developing countries separately. More recent work confirms this association (Vollrath and Erickson 2007; Balisacan 2007).

Theoretical explanations for the negative relationship between initial asset inequality and subsequent growth proceed through two channels. One channel has to do with political economy considerations: Concentration of assets leads to policies that protect sectarian interests and obstructs growth for the rest of the society. An individual's asset position may influence his/her ability to participate in political bargaining or generate political outcomes – say, through voting mechanism – reflecting his/her preferences. High inequality may also fuel social discontent, thereby increasing socio-political instability, which, in turn, reduces investment. Since investment is a primary engine of growth, asset inequality and growth are inversely correlated.

The other channel (though not unrelated to the first one) has to do with imperfections in credit and insurance markets. To the extent that physical assets are commonly accepted as collateral, the poor, who do not have these assets, may be unable to access credit and hence take advantage of income-enhancing technologies and production processes. They may also not have the means to smooth household consumption – especially food and health and education services for children – in the event of downside risks, effectively preventing them from escaping the poverty trap from one generation to the next. Investment in human capital formation and economically profitable opportunities may thus be confined to owners of land assets.

As noted earlier, there is increasing evidence to suggest that investing in equity (poverty reduction) has a high pay-off in terms of human capital accumulation and economic growth (Bourguignon 2004; Barro and Sala-i-Martin 2004; Sachs 2005). In particular, improving access to land in developing countries with initially high land inequality has a positive effect on rates of both human capital formation and economic growth (Vollrath and Erickson 2007; Deininger and

Squire 1998). Evidence from micro-level (household) studies reveals a similar association: educational attainment, health status, and incomes of the poor in rural areas tend to improve with access to land (see Balisacan and Fuwa 2007 for a review of recent evidence on Asia). In short, land reform, to the extent that it succeeds in improving access to land, mediates both equity and efficiency goals. Interestingly, advocates of land reform--at least in the Philippines--tend to focus narrowly on equity, overlooking that the reform could be critical as well to raising the economy's long-term growth path. As experience demonstrates, in the long term, sustained increases in per capita incomes are *sine qua non* to winning the war against poverty.

How does the Philippines compare with other countries in terms of land inequality? Table 1 provides an indicative answer.<sup>1</sup> Broadly, land inequality, as gauged from estimates of Gini coefficient for *operational* landholding, appears to be much higher in the Philippines than the median for East Asia, roughly comparable with the medians for South Asia and OECD countries, but significantly lower than the median for Latin American countries. The comparative data also suggest that, except for Eastern Europe, the median Gini coefficients have changed little between the 1960s and the 1990s. Surprisingly, the estimates for the Philippines are also somewhat "stable" despite three decades of land reform programs (Table 2).

The national inequality estimates mask wide provincial differences in land inequality. Though not shown here (but see Balisacan 2007), landholding distribution is generally less skewed for the provinces of Luzon, with the exception of Southern Tagalog and Bicol provinces, than that for the provinces of Mindanao and Visayas. For example, the Gini ratio of agricultural landholding in the Ilocos provinces (Luzon) falls below 0.5 (somewhat resembling the median for East Asian countries), while the figures for the Negros provinces (Visayas), and Bukidnon and Davao provinces (Mindanao) range from 0.57 to 0.76 (roughly comparable with the figures for Latin American countries). As is the case for the national estimates, regional landholding inequality during much of the second half of the past century did not change much, even though average farm sizes fell in all regions during the same period.

### **3. Overview of Postwar Philippine Land Reform Initiatives**

The government's land reform initiatives for the rural economy have involved mainly resettlement to public lands, regulation on tenancy relations (primarily

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<sup>1</sup> As is usual in international comparison, comparability problems could not be entirely avoided. Thus, the figures in Table 1 must have to be interpreted as providing only indicative rather than precise estimates of the level of inequality in land distribution, as measured by the Gini index. The Gini index has a value ranging from zero (perfect equality) to unity (perfect inequality).

the prohibition of share tenancy and the protection of tenancy rights), and appropriation and distribution of private agricultural lands. Beginning with President Manuel L. Quezon's administration (1935-41), governments tended to rely more heavily on population resettlement and tenancy regulation rather than on the politically sensitive land redistribution. However, in recent decades, as land scarcity has become more pronounced owing to population pressure and the closure of frontier areas, and as peasant unrest has continued to threaten stability, redistributive land reform has become increasingly high in the political and social development agenda.

### *Land Reform Initiatives Up to Mid-1980s: Some Lessons*

President Quezon's agrarian initiatives included mainly tenancy reforms, the purchase and subsequent divisions of large estates to tenant farmers, and resettlement on public lands. These reforms, however, suffered from low budgetary support—partly arising from the dependence of his national political organization on local leaders (or the latter's protégés) who were usually landlords—as well as from the chaotic state of government records on landed estates.

The subsequent administrations of Manuel Roxas (1946-48), Elpidio Quirino (1948-53), Ramon Magsaysay (1954-56), and Diosdado Macapagal (1961-65) generally had the same orientation, although each had its own policy initiatives. The Macapagal administration, for example, regarded its Agricultural Land Reform Code of 1963 as a turning point in agrarian legislation because it called for a full abolition of the share tenancy system. However, as with the preceding initiatives, it had low budgetary support and very weak administrative infrastructure. Moreover, it was much limited in scope: it excluded all farms other than those planted to rice and corn.

President Marcos (1972-85) adopted land reform as the centerpiece program of his Martial Law Government through Operation Land Transfer (OLT).<sup>2</sup> Launched in 1972 through Presidential Decree No. 27 (PD 27), OLT sought to abolish share tenancy in lands primarily devoted to rice and corn and to transfer to tenants the ownership of the land they were tilling. Operation Leasehold (LHO), implemented in 1974, sought to complement OLT by providing for the fixing of leasehold status for share tenants of small landholders--those exempted from the OLT because they owned less than 7 hectares of tenanted rice and corn lands.

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<sup>2</sup>A response to the raucous demonstrations and peasant unrest, land reform became an instrument to create, at least initially, mass support for the Martial Law regime from the rural areas as well as to weaken the opposition's political and economic base. The scope of the program (covering rice and corn but excluding large estates in sugar, coconut, and other export crops) and the pattern of its implementation bear out this point.

The exclusion of plantations and farms planted to export crops which, in 1971, comprised nearly 40 percent of all agricultural croplands, meant that the program's scope missed the larger source of land inequality. It was (and still is) in those farms where high concentration of both land ownership and operational holdings had persisted. At its promulgation in 1972, PD 27 could cover only 1.01 million hectares, representing about 12 percent of total farm area or 24 percent of the total rice and corn lands.<sup>3</sup> The effective scope could be even much lower considering that the program covered only farms that were actually used for rice and corn production at the time the program was launched.

The beneficial impact of the program on the poorest of the poor was even more dubious. The program excluded landless agricultural workers who were among the poorest in rural areas and were, at least in rice and corn farming, even poorer than tenants (Balisacan 1993; Hayami et al. 1990). In 1971, this group numbered about 3.4 million people. Sixty-seven percent of them were engaged in rice and corn farming. Their number could have swelled following the program in view of the reported efforts of landlords to escape the scope of OLT and LHO by converting rice and corn lands into residential enclaves, or planting crops not covered by the land reform program, or evicting tenants and replacing them with hired workers. For landless workers on the way to becoming tenants (and eventually owners of the land they till) in the agricultural ladder, the program effectively shut them out.

The Aquino Government (1986-1992) also adopted agrarian reform as the centerpiece of its development agenda. Considering the urgency of quelling the growth of peasant support to the insurgency movement, expectations were high that a comprehensive agrarian reform program would be put in place not only as a social program to, rightly or not, reduce rural income disparities, but, perhaps more so, also as part of the new government's counter-insurgency campaign. Thus, early in its tenure and prompted by the provision in the then newly ratified Constitution on the need for the state to promote rural development and agrarian reform, the Government sought Congressional enactment of what was to become the Comprehensive Agrarian Reform Law (Republic Act No. 6657), which governs the implementation of the current Comprehensive Agrarian Reform Program (CARP).

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<sup>3</sup>Based on figures in Quisumbing and Adriano (1987, p. 36).

*The Comprehensive Agrarian Reform Program:  
Features, Problems, and Issues*

CARP departs from all previous land reform initiatives by: (i) its inclusion of all agricultural lands, regardless of the commodity produced, and (ii) going beyond tenancy arrangements to include other alternative production arrangements, such as production or profit-sharing, labor administration, and distribution of shares of stock. RA 6657 prescribes the acquisition and distribution of lands covered by the program within a period of 10 years. The first phase of the program, spanning four years of implementation, covered rice and corn lands; all idle, foreclosed, and abandoned lands; and all private lands voluntarily offered by owners for land reform. The second phase, also to be completed within four years, encompassed all alienable and disposable (A&D) public agricultural lands, including agro-forest and pasture lands, and all private agricultural lands in excess of 50 hectares. Finally, the third phase covered all other private agricultural lands, commencing with landholdings above 24 hectares up to 50 hectares (to begin on the fourth year of the program and to be completed within three years). All lands below 24 hectares and above the retention limit of five hectares were to be distributed beginning on the sixth year of the program.

At the beginning of its implementation, CARP expected to cover about 9.77 million hectares, of which nearly two-thirds were public A&D lands as well as forested lands. Subsequent re-assessments of potential areas led to an upward revision of program scope to about 10.3 million hectares, and then to a downward revision to 8.06 million hectares.

The program phasing prescribed in Republic Act 6657 was not strictly observed; actual implementation was determined largely by the funds made available to the program and the technical capabilities of implementing agencies, mainly the Department of Agrarian Reform (DAR) for private and government-owned agricultural lands and the Department of Environment and Natural Resources (DENR) for public A&D and forested lands. Thus, the distribution of public A&D lands, scheduled for implementation during the early stage of CARP, was delayed, while that of private agricultural lands outside the scope of Presidential Decree 27 was advanced.

CARP was to be completed in 10 years, i.e., by 1998. Cognizant of the remaining tasks to be done, Congress extended the program implementation until 2008. Even then, a year prior to the end of the extension, the program is far from completed. As of end of December 2006, overall accomplishment in land distribution was only 84 percent of the revised target (scope) of 8.06 million hectares (Table 3). The largest lands distributed were settlement areas, landed estates, and government-owned lands, which altogether represent 45 percent of

the program scope. Acquisition of these lands was less contentious and required less funding. However, land distribution was particularly slow for private agricultural lands (other than rice and corn lands) under compulsory acquisition, which total to 1.5 million hectares or roughly one-fifth of the program scope. The accomplishment for this program component was only about 18 percent. The main problems were the slow process involved in land acquisition and distribution, insufficient technical capacity of implementing agencies, legal disputes relating to coverage and land valuation, landowners' resistance, harassment and unstable peace and order condition, and budget constraints. It is in these lands (particularly lands planted to sugarcane, coconut and other tree crops, and nontraditional export crops) where most of the remaining problems with landholding inequality exist.

In the case of public A&D lands, where accomplishment was only 69 percent of target after 20 years of CARP implementation, the bottlenecks were in delays in undertaking land surveys, slow reconstitution of land records, and sluggish resolution of land conflicts among competing claimants. It is to be noted that public A&D lands and forested lands are not vacant lands; they are being tilled by farmer "squatters" who only need to be given security of tenure.

Program implementation in government-owned agricultural estates and other land properties has been unwieldy, as this involves the preparation and inventory of multitudinous land titles, the authentication and verification of titles, and answering the deluge of claims by private entities asserting ownerships of lands identified by the government as its own. In the case of agricultural lands, judicial/adjudication cases involving land valuation and compensation, as well as protests against coverage, classification, identification and qualification of beneficiaries, exemption from CARP, and land conversion issues, have tremendously slowed down the implementation. On land valuation, for example, the law requires the consideration of a number of factors, including the cost of land acquisition, the current value of similar properties, its nature, actual use and income, the owner's sworn valuation, tax declarations, and appraisal made by government assessors. The procedure is complicated, cumbersome, and ambiguous, creating opportunities for graft and corruption.

Too frequent changes in the leadership of implementing agencies, especially DAR and DENR, have also constrained the program's smooth implementation.

Financing the program has likewise become a major bottleneck. At the beginning of program implementation, funding requirement was estimated at PhP221 billion. The average annual budget represented about 30 percent of the national government's total appropriations for 1987, or 3 percent of (nominal) GDP in 1987. The total budget was subsequently pared down to about PhP153.07 billion.

Funds were to be drawn from proceeds of the government's sale of non-performing assets. This was poorly realized. CARP's extension to 2008 came with an additional allocation of PhP50 billion. This was also poorly realized. The government's ability to accommodate the funding in the national government budget was severely limited owing to a combination of factors, including the government's reluctance to raise new taxes, its relatively low tax collection efficiency (particularly on business income and property taxes), and its high debt burden.

The funding problem, together with the limited technical capacity of the agencies tasked to implement the program, has bred uncertainty on the effective scope of CARP. As noted below, invariably, successful land reform programs elsewhere, especially in East Asia, were implemented swiftly. The uncertainty is magnified by the continued efforts of certain sectors to lobby in Congress for exclusion from the program. Congress has granted in early 1995 such exemption to fishery and prawn farms. The uncertainty surrounding the program has discouraged the flow of investments into agriculture as well as encouraged non-planting and premature conversion of agricultural lands into non-agricultural uses. Moreover, the program could have effectively weakened the private market for agricultural lands, thereby diminishing the collateral value of agricultural lands.

The CARP is quite distinct from previous agrarian initiatives in another major respect: it provides a comprehensive program of beneficiary development, especially the delivery of basic services (capacity building, credit and marketing assistance, farm infrastructure, etc.) needed to transform the beneficiaries into efficient agricultural producers and entrepreneurs. However, because the funds available to support the program had been very limited, the Government, through DAR, launched in 1993 the Agrarian Reform Community (ARC) approach to beneficiary development. The approach involves the concentration of efforts in the delivery of support services in selected areas, rather than dispersing the delivery to all areas covered by CARP. It is also a mechanism to fast-track investment in basic social infrastructure, such as water, power supply, education, and health. As defined, an ARC is a *barangay* (the lowest political unit) or a cluster of contiguous *barangays* wherein a critical mass of farmers and farm workers are awaiting the full implementation of agrarian reform.

About 1,800 ARCs have been established since the program's launch.<sup>4</sup> They cover roughly 47 percent of the total agrarian reform beneficiaries (ARBs) nationwide. Foreign-assisted projects (FAPs) for the agrarian reform program have been concentrated in the ARCs. These projects have provided support to 58 percent of the ARCs, covering 62 percent of the ARBs in all ARCs, or roughly 30 percent of

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<sup>4</sup> Based on CARP Situationer, as of end of December 2006, Department of Agrarian Reform.

all ARBs nationwide. Owing to the fiscal constraint noted above, ARCs receiving support services through FAPs are expected to be better off than those without FAPs.

### *Impact of CARP*

Assessing the impact of CARP vis-à-vis its objectives, i.e., equity and poverty reduction, is quite difficult because the observed household and community-level data are the outcomes of many factors that have influenced the evolution of the rural economy. The policy and institutional environment in the Philippines has changed quite significantly during the program's implementation period. Various policy reforms involving international trade and finance, local-national fiscal relations, and public investment and regulations, as well as the environment for global agricultural trade, have likely affected rural welfare and income distribution in ways that either enhance or diminish any effects that agrarian reform may have had on equity and poverty reduction. Put differently, the fact that rural poverty and income inequality have persisted, as shown in recent studies (see Balisacan 2003, ADB 2005), is not, by itself, evidence that CARP is a failure.

A few studies have attempted to systematically identify the contribution of CARP in the observed changes in rural welfare and overall economic outcomes. The most comprehensive one was the series of volumes that came out of the CARP Impact Assessment Studies (CARP-IA) supported by a number of multilateral and bilateral agencies, including the Philippine Government. The CARP-IA studies, covering the first 12 years of CARP implementation, examined the impact from different angles: micro (household-level), meso (community-level), and macro (sectoral and economy-wide level).

Follow-up studies (CARP-IA Phase 2) are ongoing, aimed at re-examining the earlier findings in light of newly available national household surveys, agriculture and population censuses, updated panel data, and related data. While the first CARP-IA studies covered program implementation up to 2000, the Phase 2 studies focus on the period 1990-2006. Unfortunately, the results of the latter study are not yet available.

The findings of the CARP-IA studies, as drawn from Lim (2003), are summarized as follows:

- Panel data survey in select provinces shows strong increase in owner-cultivatorship and significant declines in share tenancy and leaseholding between 1989 and 1999. These results are consistent with the land-to-the-tiller emphasis of CARP.

- The macro study and the panel data survey indicate that ARBs and landowners who voluntarily complied with the CARP provision on land acquisition and distribution (LAD) tend to invest more on farm assets compared with non-ARBs and LAD-pending landowners. This suggests that a more secure land tenure and secure land ownership enhance the willingness of landowners and beneficiaries to invest.
- An ARB has lower chances of being poor than a non-ARB. Moreover, the length of time of being an ARB and being in an ARC reduces one's chances of being poor.
- The ARC approach to beneficiary development, if properly implemented, improves the economic conditions, social capital, and democratic participation of the communities. This result is supported by studies made by FAO-TSARRD (1998) and Edillon and Velarde (2004).
- In areas where social conflicts exist, the implementation of agrarian reform tends to reduce such conflicts and increase peace and order.
- A disturbing finding from the micro studies is that the real agricultural and rural incomes for both ARBs and non-ARBs between the 1990 survey and the 2000 survey actually fell. Lim (2003) noted, however, that this outcome conformed to the long-run fall in real per capita value added in agriculture, to the decline in agricultural investment, and to the deterioration of the overall investment climate in the Philippines, especially in the latter part of the 1990s. This finding demonstrates that the positive micro-level effects of the program could only be translated into higher long-term incomes and lower poverty if the general environment (macroeconomic policies, rural development strategies, trade policy regime, natural resource management, governance institutions) is conducive to development and growth in the rural economy.

In a related vein, using panel data of provincial aggregates for the period 1988-2003, Balisacan (2007) found that the effects of CARP on poverty reduction are felt mostly *indirectly* through the income growth process, not directly through improvement in equity. One interpretation of this result is that the CARP implementation has actually not been efficiently targeted to effect direct gains for the tiller beneficiaries. This insight finds similar evidence in many of the country's direct anti-poverty programs: food subsidies, credit subsidies, irrigation subsidies, etc. (Balisacan and Edillon 2005).

#### **4. Lessons from the Philippine Land Reform Initiatives as Seen from the Lens of International Experience**

Salient lessons have emerged from the Philippine agrarian reform initiatives. To sharpen the usefulness of these lessons for the design and implementation of agrarian reform initiatives in other developing countries, it is helpful to view

them from the lens of the broader historical experiences of developing countries. The list is by no means complete, nor does it imply that each item is applicable to all developing countries. However, it is suggestive of the wide range of opportunities for enhancing the economic and social gains (and minimizing the costs) from land reform initiatives.<sup>5</sup>

First, the speed and political credibility of program implementation are essential to the success of a national land reform program. A slow-paced implementation renders a program less effective since it gives rise to bureaucratic inertia; provides room for legal disputes, lobbying by landowners for exemption from the program, rent-seeking activities by elite groups for the resources made available to the program; and leads to dwindling financial support from the political regime as the prime "trigger" (e.g., rural unrest) for the program recedes. Moreover, a long-drawn implementation breeds an atmosphere of uncertainty, which not only discourages the flow of private investments into agriculture but also encourages non-planting and premature conversion of agricultural lands into non-agricultural uses (as in the Philippines). It is to be noted that the success of the East Asian land reform was rooted mainly on the speed of its implementation.

Second, land reform programs constraining the scope of tenure choice tend to defeat the objective of promoting efficient resource allocation in rural areas. Because they tend to constrain upward social mobility, they also hurt the poorest of the rural poor—the landless farm workers—whose poverty frequently serves as justification for land reform legislation.

Third, the technical capacity and institutional discipline of bureaucracies tasked to implement land reform programs should not be overlooked in the program design. A relatively well-disciplined bureaucracy, together with the availability of an accurate set of data on landownership and tenure relations, should be in place if land reform is to be a success. In many developing Asian countries, surveys on land uses and tenure relations are seldom undertaken in regular intervals, land titling is slow, and enforcement of property rights is weak. In contrast, accurate data on land ownership and tenure were well established in East Asia long before post-World War II land reform. Moreover, the discipline of the Japanese bureaucracy is unparalleled among most Southeast and South Asian countries.

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<sup>5</sup> For earlier reviews of international and historical experiences, see Binswanger et al. (1995), Rashid and Quibria (1995), and Fuwa (2005). For the Philippine experience, see Hayami et al. (1990), Balisacan (1995), Otsuka (1996), DAR (2003), and Arlanza et al. (2006).

Fourth, the political acceptability and legitimacy of a redistribution program have to be ensured. Land reform programs are seldom irreversible. If the program has a narrow political base and if the wide spectrum of political opinion does not perceive the program as both necessary and the most effective way of achieving the program's explicit goals, it is bound to fail. The Philippine experience under various political regimes amply demonstrates this. Chile's land reform program is also another illustrative case: the overthrow of the Allende regime resulted in the re-introduction of the formerly skewed land ownership patterns during the Pinochet regime (Binswanger et al. 1995).

Fifth, the respective roles of the private and public sectors have to be clearly defined. Agrarian reform programs founded on the assumption that only the public sector is capable of determining beneficiary needs, delivering services, and maintaining communal facilities and support services are bound to fail. With their roles clearly defined, nongovernment organizations are effective conduits for the delivery of essential services to program beneficiaries. The Philippine CARP owes its success, albeit limited, partly from the active engagement of civil society groups in implementing the program.

Sixth, successful programs tend to have simple, transparent, and uniformly enforceable rules of participation. The CARP design fails this test. Deliberately interventionist and discretionary measures are inferior to those providing mechanisms for inducing institutional and organizational change.

Seventh, centralized decision-making and mistrust of market forces to achieve land redistribution objectives slow down land acquisition and distribution. Better performance is achieved if market forces are allowed to function efficiently, provided there is room for government intervention or guidance to ensure that certain social objectives are achieved.

Eighth, in a land reform regime that admits compensation of land owners at "fair market value" (as in the Philippine CARP), it is necessary to dismantle agricultural pricing subsidies and investment policy distortions that drive land prices above the capitalized value of farm profits, before any land redistribution program is introduced. In many cases, such distortions tend to disproportionately favor large farmers (e.g., high tariffs on sugar favor the hacienda-organized sugar farms). If not removed, either the fiscal burden of financing the land redistribution program becomes high or, if the full market value of the land is passed on to the farmer beneficiaries, the cost of amortizing the land may become very burdensome for them.

Finally, land reform is not a panacea for poverty reduction. In countries with highly unequal land distribution and widespread poverty, it should be seen as

only one element of a comprehensive strategy for economic and social development. No land reform program can be effective in achieving its goals unless the economic and political environment is conducive to sustained economic growth and development.

## **5. Concluding Remarks**

High inequality in land distribution is bad for both equity and overall economic growth. Unfortunately, the policy discussions have tended to focus on the equity side of the benefits from a reduction in land inequality. Yet, it appears that the overall efficiency gains (economic growth) from an informed land reform program represent an enduring source of poverty reduction. Put differently, a policy advocacy for land reform has to highlight recent findings from growth empirics that high inequality in the distribution of land (or assets, generally) depresses the long-term potential of the economy to grow at a faster pace and hence to forego opportunities for the poor to get out of poverty traps.

However, the road to the design and implementation of an effective land reform program is paved with dangers. Many land reform initiatives in developing countries, including the CARP in the Philippines, have had limited success only partly because they failed to realistically confront the budgetary requirements of the program and, more importantly, the political landscape and technical capacity of the implementing agencies. This failure has meant that land acquisition and the provision of support services could not be done as swiftly as in the East Asian experience. Consequently, the slow pace of the program had created uncertainties, adversely affecting output and investments in agriculture. Moreover, it has induced premature conversion of agricultural lands into non-agricultural uses.

It must be stressed that land reform is not a panacea for poverty and rural underdevelopment. Sustained reduction in rural poverty demands going beyond agricultural land reforms to include putting in place institutions and an economy-wide policy environment that nurture growth in employment and human development opportunities. In recent years, the Philippines' public investments in basic social services--especially rural infrastructure, education, and health--have lagged behind the requirements of a rapidly growing population. Moreover, the country's trade, macroeconomic, and sector-specific pricing policies have given rise to strong incentive biases against small farms, small industrial enterprises, and labor-intensive exports. In failing to engender a neutral incentive structure that could have promoted a more efficient allocation of scarce resources, these policies have had an adverse effect not only on agricultural and rural performance but also on the economy as a whole, therefore inhibiting the overall economic growth and poverty reduction.

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Table 1. Gini Coefficients for Land Distribution:  
Philippines vs. World Regions

	1960s	1990s
<i>Philippines</i>	53.0	57.0
East Asia and Pacific	47.3	41.1
South Asia	59.6	58.3
Latin America	81.2	77.4
Sub-Saharan Africa	48.6	49.0
OECD	59.4	59.0
Eastern Europe	52.4	91.9

*Note:* All estimates pertain to distribution of operational holdings. Figures for the Philippines are point estimates based on decadal censuses of agriculture. Figures for Regions pertain to medians rather than means as these are less sensitive to the addition or deletion of individual countries.

*Sources:* Philippines, author's estimates; world regions (Deininger and Squire 1998).

Table 2. Average Farm Size and Landholding Distribution

Year	Ave. Farm Size (ha)	Land-labor ratio	Percent of Farms		Percent of Area		Gini Ratio
			Above 10 ha	Above 25 ha	Above 10 ha	Above 25 ha	
1960	3.6	1.34	5.5	0.5	38.3	15.4	0.53
1971	3.5	1.16	4.8	0.6	33.8	17.1	0.54
1980	2.8	1.08	3.5	...	26	...	0.54
1991	2.2	0.88	2.3	0.3	23.5	10.6	0.57
2002	2.0	0.69	1.8	0.23	19.4	8.1	0.57

... not available

Sources: *Philippine Census of Agriculture*, various years.

Table 3. CARP Scope and Accomplishment, as of December 2006

Land Type/Mode of Acquisition	Scope (ha)	% Accomplishment
<i>DAR</i>	4,428,357	86.4
Private Agricultural Lands	3,093,251	69.5
Operation Land Transfer	616,233	91.1
Government Financing Institutions	243,434	66.1
Voluntary Offer to Sell	437,970	127.9
Compulsory Acquisition	1,507,122	17.7
Voluntary Land Transfer	288,492	208.6
Non-Private Agricultural Lands	1,335,106	125.5
Settlements	604,116	119.2
Landed Estates	70,173	115.0
Government Owned Lands	660,817	132.3
<i>DENR</i>	3,771,411	81.0
Public Alienable and Disposable Lands	2,502,000	68.7
Integrated Social Forestry/Community Based Forest	1,269,411	105.2
<b>TOTAL</b>	<b>8,199,768</b>	<b>83.9</b>

*Note: Subject to the ongoing inventory of CARP scope.  
Source: DAR and DENR*