

Can Redistributive Reform be Achieved via Market-Based Voluntary Land Transfer Schemes? Evidence and Lessons from the Philippines

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This article examines market-led agrarian reform (MLAR) and its variants in the form of voluntary land transfer schemes under the Comprehensive Agrarian Reform Program (CARP) in the Philippines. Analysis of MLAR variants in the Philippines offers a preview of what is likely to happen when the MLAR model currently being pushed by the World Bank is implemented in the real world: Not only do MLAR and MLAR-like schemes fail to promote redistributive reform, they also undermine potentially redistributive state-led land reform policies.

When doctrines command widespread agreement, the time has usually come for a re-examination; when men [sic] who otherwise disagree on fundamental political values agree on an issue of importance, they are

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probably using crucial terms in widely differing senses; when radical rhetoric becomes fashionable, it may well acquire non-radical implications ... So it is with land reform today ... [P]eople think they are talking about the same thing, when in fact they define crucial terms in radically different ways. More perverse still, there are those who use terms precisely on account of their ambiguity [*Lehmann, 1974: 13, 14*].

I. INTRODUCTION

After its popularity during the first three-quarters of the last century, redistributive land reform was dropped from the policy agendas of international development institutions and nation-states. This fall from grace occurred despite the persistence of land monopolies and land reform on the political agendas of peasant movements and their allies in most developing countries [*Herring, 2003; Baranyi et al., 2004*]. A confluence of factors, including the debt crisis, accounts for this policy exit [*Herring, 2003; Kay, 1998; Bernstein, 2002; see also Byres, 2004*]. But in recent years land reform has, to some extent, been resurrected. Although land-based political conflicts in Brazil, Zimbabwe and Chiapas partly contributed to this policy revival, arguably, another major push has come from the World Bank (WB) in its advocacy for the most economically efficient use of land resources. Instead of using the traditional approach of redistributive land reform to achieve this goal, the WB has put forward 'market-led agrarian reform' (MLAR), a voluntary approach to land reform. MLAR is a policy model founded on the 'willing seller-willing buyer' principle whereby landlords are paid 100 per cent spot-cash for 100 per cent market value of their land and where peasant beneficiaries shoulder 100 per cent of the land cost. On most occasions, and formally, the WB declares MLAR to be a complementary policy to other approaches to land reform, specifically the conventional state-led mechanisms. For a decade now, and to varying extents, MLAR has been implemented in various countries. To date, however, few systematic studies have been done of the MLAR model. Most existing analyses are highly speculative, partly due to the inaccessibility of empirical data. The main argument against MLAR is that it cannot serve to redistribute lands on a large scale because of the huge amount of funding that would be required. Nonetheless, some critics call for further MLAR experimentation.¹

This article examines issues of substance and process related to MLAR and its implementation, thus contributing towards a more systematic analysis of MLAR in two distinct but interrelated ways. Principally, and as a critique of the MLAR model, the article argues that in substance the MLAR does not constitute redistributive reform; process-wise it undermines rather than complements potentially redistributive state-led land reform. Secondly,

addressing the position of MLAR critics who call for further experimentation with the model, this article asserts that such further experimentation would actually support, rather than oppose, the pro-market policy; process-wise, further experimentation would inadvertently contribute to undermine redistributive land reforms.

This task is done by examining MLAR variants in the form of voluntary land transfer (VLT) schemes within the institutional framework of the supposedly state-led Comprehensive Agrarian Reform Program (CARP) of the Philippines. Then the article goes on to examine the MLAR feasibility study done in that country. The Philippine VLT case provides excellent study material because it is a more prolonged and extensive real-life experience than MLAR pilot tests elsewhere. Thus, the former provides an extensive preview of what is likely to happen when MLAR is implemented full scale in agrarian settings like the Philippines. Finally, the article does not aspire to make 'statistical generalisations', but only to establish 'analytical generalisations' [see Yin, 1984: 36–42; Hammersley, 1992: 188–89] about the nature and implication of MLAR and MLAR-like land transfer schemes. The remainder of the article is organised as follows: Section II discusses the theoretical issues underlying the problematic addressed. Section III examines actual VLT schemes in the Philippines; and Section IV offers further discussion and conclusions.

II. THEORETICAL DISCUSSION

Griffin and colleagues [2002: 279–80] explain that land reform is about redistributing 'land ownership from large private landowners to small peasant farmers and landless agricultural workers', emphasising that it is 'concerned with a redistribution of wealth'. Similarly, Fox [1993: 10] explains redistributive reform as a public policy that 'change[s] the relative shares between groups' in society. Following Griffin and colleagues and Fox, it is understood in this article that, to be truly redistributive, a land reform must effect on a pre-existing agrarian structure a change in ownership of and/or control over land resources wherein such a change flows strictly from the landed to the landless and land-poor classes, or from rich landlords to poor peasants. Here 'ownership' and/or 'control over land resources' means the *effective control* over the nature, pace, extent and direction of surplus production and extraction, and the disposition of such farm surplus. In other words, according to Tuma [1965: 251], it aims to create 'purposive change' that can result in the improvement of the situation of the landless rural poor. Such a 'purposive change' or 'reform' is inherently relational: it must result in a net increase in poor peasants' power to control land resources with a corresponding decrease in the share of power of those who used to have such

power over the same land resources and production processes. In fact, land redistribution is essentially power redistribution. This can occur through the transfer of full property rights, including the 'right to alienate', but it can also be realised without involving full, formal ownership of the land, for example, through tenancy reform [see Putzel, 1992: 3; Herring, 1983: 13]. Thus what is essentially meant here by 'reform' is not a simple 'change' in social and production relations in a given agrarian structure of a particular society. The latter ('change') can happen without regard for which direction it occurs, whether within or between social classes, as it may include elite-to-elite and poor-to-elite transfer of effective control over land resources. The former ('reform') is limited to a direction of change that transfers power *between* social classes, specifically, from landed to landless and land-poor classes or from rich to poor. Such 'reform', according to Tai [1974: 11–12], can be achieved through 'public programs that seek to restructure equitably and rationally a defective land-tenure system by compulsory, drastic, and rapid means. The objectives of reform are to attain 'just relationship' among the agricultural population and to improve the utilisation of land'.²

Moreover, redistributive land reform is inherently a matter of degree. It is seldom either 100 per cent redistributive or 100 per cent non-redistributive. Traditionally, two interrelated elements have defined the redistributive character of a land reform policy, namely, the compensation to landlords and the payment by peasants. On the one hand, compensation to the landlord can be between zero and somewhere below the 'market price' of the land; the difference between the 'market price' and the actual compensation partly defines the degree of redistribution. On the other hand, payment by peasants for the land can be between zero and somewhere below the acquisition cost; the difference between the peasants' actual payment and the acquisition cost also partly defines the degree of redistribution.

Taking redistributive land reform as inherently a matter of degree provides us with an analytic tool to understand and compare land reforms between and within countries. For example, a land reform that confiscates lands without compensation to landlords and distributes such lands to peasants for free constitutes redistributive reform. Similarly, land reform that expropriates lands with compensation to landlords at below market price and distributes such lands to peasants at reduced/subsidised cost is also redistributive. However, the degree of redistributive reform is higher in the former than in the latter [see also Tuma, 1965: 159]. Such is the case comparing land reforms in China and Taiwan immediately after World War II [see Griffin *et al.*, 2002], and between the Allende and Frei administrations in Chile in the 1960s–1970s [see Thome, 1989: 196; Kay and Silva, 1992]. Following this framework, this article argues that a land transfer scheme does not constitute redistributive land reform where the landlord is paid 100 per cent spot-cash

for 100 per cent (or higher) of the 'market value' of the land and where the buyer shoulders 100 per cent of the land cost including the sales transaction costs. Such is a simple capitalist real estate transaction which, of itself, is highly unlikely to favour the landless rural poor [*see also Flores, 1970: 149; Levin and Weiner, 1997: 258*].

The two minimum requirements of redistributive land reform, namely, compensation to landlords at below 'market price' and payment by peasants at below actual acquisition cost must, in turn, be linked to the principle that land is not a simple economic factor of production. Rather, land has a multidimensional function and character (that is, with political, economic, social and cultural dimensions). In fact the 'value' of land cannot be reduced to strictly monetary terms, and so the 'market price' of a piece of land is actually a contested notion involving political-economic and socio-cultural factors that, themselves, depend on who it is attaching the value to the land. The notion of land having a multidimensional character: (a) provides the basis for bringing in issues imbued with value judgement such as 'social justice', 'social function of the land', 'purposive change' and 'empowerment', which cannot be understood in purely monetary term; and (b) inherently requires the intervention of the state to achieve the desired multiple goals of land reform policy. Thus, landlord compensation-related mechanisms ranging from land confiscation without compensation to expropriation with compensation at below market prices are also largely determined by non-economic factors such as socio-historical circumstances and the politics of pre-existing land monopoly and reform. The same consideration applies in determining the level of peasants' payment. Hence, the multi-dimensional character of land renders the monetary-based valuation method an important but incomplete way to assess the land's actual and full value. The non-recognition by pro-market proponents of the multidimensional, political-economic nature of land monopoly accounts for many of MLAR's fundamental flaws. As Harriss [1982: 16] explains, 'Conventional agricultural economics tends to focus upon the analysis of the efficiency of the use of resources in production and marketing, and to treat the social and political factors which are of central importance in the practical activity of 'Rural Development', simply as *ceteris paribus* conditions (or, in other words, they are assumed to be constant).'

Finally, while conceptual clarification about redistributive land reform is crucial to understand the nature and policy implications of MLAR and its variants, confusion among scholars and policymakers can arise regarding the empirical data they are working on. Specifically, changes might be registered in formal, official records of who supposedly controls land, while such changes do not occur in reality. In his examination of South Asian land reforms, Herring [1983: 269] finds it crucial to differentiate the two types of change induced by land reform:

This structural change is of two kinds – apparent and real. Though it seems contradictory to write of ‘apparent’ structural change, the usage is meaningful. Land reforms produce important alterations in the *observable* structure of agrarian system – land records are altered, census data collected, reports are made – all presenting a picture of the rural world that is more congruent with the needs of landed elites, administrators, and ruling politicians than with reality on the ground. Landowners have strong incentives to show that they own very little land and that there are no tenants on it; reform administrators are pressured to show progress in implementation. [...] The apparent change is important because it is this data-built facade which goes into planning documents, policy debates, reports of international agencies, and all too many scholarly treatments. The distortions become social facts, the primary sources for understanding the rural world for non-rural groups who are, after all, the primary movers of rural policy. [Emphasis original.]

Herring’s explanation about real and apparent changes in the agrarian structure sheds light on the problematic tackled in this article.

Meanwhile, the MLAR model has emerged out of the pro-market critique of the state-led approach to agrarian reform. This critique is summarised by three policy areas: gaining access to land, post-land transfer farm development, and financing strategy.³ Proponents explain MLAR as a ‘mechanism to provide an efficiency- and equity-enhancing redistribution of assets’ [Deininger, 1999: 651], and that it aspires to overcome the long-standing problem of ‘social exclusion’ of the rural poor [Deininger and Binswanger, 1999: 249].⁴

The MLAR is a voluntary land reform whereby landlords are paid 100 per cent spot-cash for 100 per cent ‘market value’ of the land [Deininger, 1999: 663]. It adopts a ‘demand-driven’ approach: only poor families who explicitly demand land and only the lands being demanded are negotiated for the programme. In order to find the ‘fittest’ beneficiaries (that is, the most economically efficient producer), a ‘self-selection’ process is undertaken among the prospective buyers to avoid taking in ‘unfit’ beneficiaries (that is, the economically inefficient). The model adopts a decentralised method of implementation for speedy transactions and for transparency and accountability. ‘It privatizes and thereby decentralizes the essential process [of land reform]’, explains Binswanger [1996: 155]. This avoids rent-seeking, which is prevalent in state-led land reform. Moreover, proponents assert that MLAR policy will stimulate, rather than undermine, land markets [Deininger and Binswanger, 1999: 267]. They also explain 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 market reform measure is expected to result in the increased amount of land available for purchase by different types of producers. This can be done partly through withdrawal of subsidy (from large farmers), progressive land taxation, systematic land titling [Bryant, 1996], land sales and rental liberalisation [Banerjee, 1999], and better market information systems.

Furthermore, the MLAR model follows the process of farm plans *before* land purchase. As such, it claims that farm development is assured because no land shall be purchased without prepared viable plans that emphasise diversified commercial farming, including joint venture arrangements with external investors. And because beneficiaries are given a cash grant for farm development, the latter is expected to be quick [Deininger, 1999: 666]. Beneficiaries must spend a portion of the grant on a privatised–decentralised extension service that, the argument goes, is efficient, since accountability between beneficiaries and service providers is clearer. Moreover, widespread credit and investments are expected to become available because the land title generated through an outright sale will be honoured as collateral for bank loans [Deininger and Binswanger, 1999: 265].

Finally, the MLAR model adopts a flexible loan-grant financing scheme. Each beneficiary is given a fixed sum to spend as follows: the portion used to buy land is considered a loan and must be fully repaid (including interest at commercial rates) by the beneficiary; the remainder is given to the beneficiary as a grant to be used for post-land transfer development projects. This mechanism is thought to be key to reduce the cost of land because peasants are expected to go for the best bargain for their money in order to increase the grant portion [Deininger, 1999]. Financially, the MLAR model is thought to be much cheaper than state-led agrarian reforms primarily because it needs no huge, expensive government bureaucracies, land prices are lower, and 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, private banks should take over the programme's primary financing (see Table 1 for key features of MLAR).

The MLAR model has been pilot-tested in Brazil since 1998 and implemented on a national scale in Colombia (since 1994) and South Africa (since 1995). Proponents, however, have contradictory claims about the initial outcomes of MLAR policy implementation. On the one hand and more generally, they claim that initial implementation in these countries has been successful and impressive [Deininger and Binswanger, 1999: 268; Deininger, 1999; WB, 2003, *n.d.*]. On the other hand, preliminary accounts cast doubt on such optimistic claims. These differentiated views fall into

TABLE 1
PURPORTED KEY FEATURES OF THE MARKET-LED APPROACH TO LAND REFORM

<i>Gaining access to land</i>	
acquisition method	voluntary; 100% spot-cash payment for 100% market value of land
beneficiaries	demand-driven; self-selected
implementation method	privatised-decentralised; high degree of transparency and accountability
pace and nature	quick; politically and legally non-contentious
land prices	lower
land markets	land market stimulation; progressive land tax and titling programme required
<i>Post-land transfer farm and beneficiary development</i>	
programme sequence	farm development plans <i>before</i> land redistribution
pace of development	quick and certain
extension service	privatised and decentralised = efficient
credit and investments	increased
<i>Financing</i>	
mechanism	flexible loan-grant mechanism; co-sharing of risks; beneficiaries shoulder full cost of land; farm development cost given via grant
cost of reform	low

Source: Borras [2003a].

three main groups: (a) direct references by MLAR proponents to varying degrees of problems and failures, although they are quick to point out that such problems are operational and administrative in nature [*see, for example, Deininger, 1999; Buainain et al., 1999; see also Gershman, 1999*]; (b) critical views and reminders from scholars who are generally supportive of the MLAR model and experiment [*see, for example, Carter and Salgado, 2001; Banerjee, 1999; De Janvry et al., 2001; Lipton, 1993*]; (c) a few critical works arguing that the problems in MLAR implementation in Brazil, Colombia and South Africa are fundamental in nature [*see, for example, Barros et al., 2003; Lahiff and Cousins, 2001; Lahiff, 2003; Levin and Weiner, 1997; Borras, 2003a, 2002, 2003c*]. This article identifies with the third critical group.

III. THE COMPREHENSIVE AGRARIAN REFORM PROGRAMME, VOLUNTARY LAND TRANSFER SCHEME AND MLAR IN THE PHILIPPINES

Introduction

The agricultural sector of the Philippines remains important in the national economy. In 2000 it directly employed more or less half of the country's total active labour force, while the countryside remained host to some 60 per cent

of the Filipino population. However, agricultural development has been generally less than dynamic and rural poverty widespread (by 2000 the rural poor accounted for two-thirds of the country's poor). Approximately one-third of the country's land area of 30 million hectares is agricultural lands, and ownership and/or control over such lands has been largely monopolised by landed classes. The Gini coefficient for land distribution was 0.64 in 1988, the year the Comprehensive Agrarian Reform Program (CARP) began [Putzel, 1992: 30].

The nature of the economy has had a profound impact on the country's structure of power relations and political institutions. Rural politics is dominated by local political bosses (*caciques*) who lord over the countryside through a complex network of patronage that combines socio-economic benefits for the rural poor with the threat or actual use of violence [Anderson, 1988; Kerkvliet, 1990]. Against this political background, cycles of violent peasant-based upheaval have won only intermittent concessions from the state [Kerkvliet, 1977; Putzel, 1995; Rutten, 2000]. The elite response to peasant unrest has traditionally been a combination of repression, resettlement and limited reform [Wurfel, 1988; Abinales, 2000; Angeles, 1999]. The Philippine state, heavily influenced by the interests of the landed classes, has viewed land and tenancy reforms more as a strategy to 'manage' rural unrest than to actually effect redistributive reforms in favour of the landless classes [Putzel, 1992].

Hence, in general most of the reforms instituted during the past century were non-redistributive. Since none of the pre-CARP tenancy and land reform programmes seriously addressed the underlying causes of rural unrest (that is, persistent land monopoly), peasant unrest remained an important part of rural politics throughout the twentieth century. Neither did the transition from an authoritarian regime to a 'national clientelist electoral regime' in 1986 lead to complete democratisation of the countryside; even now, entrenched political elites continue to dominate the rural polity [Franco, 2001; Putzel, 1999; Anderson, 1988]. However, as explained by Franco [2001, 1998], recent years have seen some erosion of these rural authoritarian enclaves in a political process which can be traced back mainly to two factors: (a) the series of highly constrained elections held during and immediately after the period of authoritarian rule; and (b) sustained social mobilisation from below. The transition period (1986–88) opened new political opportunities for partial democratisation which led to a heated policy debate on agrarian reform. After initially dragging its feet on the issue, the administration of Corazón Aquino was forced to act after the military opened fire at a 20,000-strong peasant march near the Presidential Palace, killing 13 peasants. The subsequent policymaking process for land reform in 1986–88 was marked by intense pro- and anti-reform forces within the state and in

society, generally gravitating between the policy currents of 'conservative voluntary non-redistributive' versus 'liberal expropriatory-redistributive' land reform camps [Putzel, 1992; Hayami *et al.*, 1990]. Subsequent actions by the government eventually led to the legislation of a new land reform policy, or CARP [Lara and Morales, 1990; Riedinger, 1995; Putzel, 1992].

CARP is a public policy that falls into neither of the ideal types of voluntary non-redistributive nor expropriatory-redistributive reform. While having some degree of expropriatory power, it incorporates elements that are voluntary and non-redistributive. The CARP law mandates that all farmlands, private and public, regardless of tenurial and productivity conditions be subject to agrarian reform (with a relatively few exceptions such as military reservations and religious and educational sites). There are three broad types of reform: (a) land redistribution of private and public lands; (b) lease, including leasehold on lands legally retained by landlords and stewardship contracts for some public lands; and (c) on a small scale and limited to the first few years of CARP implementation, a stock distribution option for some large commercial farms. The far-reaching formal coverage of the CARP law makes it more progressive than any other post-1980 liberal land reform law. Such laws elsewhere, as in Brazil [Hall, 1990] and Zimbabwe [Bratton, 1990], do not cover productive, commercial farmlands. Thus, based on the original 1988 scope, CARP intends to reform tenure relations on 10.3 million hectares of the country's farmland via land redistribution (and to a limited extent, stock distribution), the estimated number of beneficiaries could reach some 4 million landless and land-poor peasant households, comprising close to 80 per cent of the agricultural population.⁵ Additionally, some 2 million hectares of farms smaller than five hectares (retained farms by landlords) were made subject to leasehold reform that would benefit an estimated one million poor tenant households. It should be noted that the average farm size in the country is two hectares, while the land reform award ceiling is fixed at three hectares. For redistributed private lands, a Certificate of Land Ownership Award (CLOA) is issued to beneficiaries.

CARP is being implemented within the structural and institutional constraints of the Philippine political setting – indeed within the very setting that it aims to change. During implementation, CARP has been brought to the crucible of state–society relations, where various dynamic factors influence policy processes and outcomes. The implementation process has been a tale of struggle between pro- and anti-reform forces within the state and society, pushing CARP in the direction of either the voluntary non-redistributive or expropriatory-redistributive policy currents.

The pro- and anti-reform conflict internalised within CARP is reflected partly in the various CARP land acquisition modes for private lands. First is

Operation Land Transfer, or OLT, which was the mechanism used for tenanted rice and corn lands under the Marcos-era land reform programme and later was integrated within CARP. Second, devised to reduce landlord resistance to reform, the Voluntary Offer-to-Sell, or VOS, increases the cash portion in landlord's compensation by 5 per cent with a corresponding 5 per cent decrease in the bonds portion. Third is the Voluntary Land Transfer, or VLT mode, which aspires to court landlord cooperation to the programme. The VLT provides for the direct transfer of land to peasants under terms mutually agreed between peasants and landlords with the government's role confined to information provision and contract enforcement. A landlord who is interested in complying with the CARP law via VLT is expected to discuss and agree with the potential beneficiaries about the transaction terms: land price, mode of payment and set of beneficiaries. Upon full agreement the parties submit their VLT proposal to the Department of Agrarian Reform (DAR), which approves or disapproves the plan. If the proposal is rejected, the CARP process re-starts and may or may not take the VLT route. If the proposal is accepted, the transaction is deemed a successful CARP land redistribution process and is officially reported as such. The difference between VOS and VLT is that in the former the landlord sells land to the state, while in the latter the landlord sells directly to the peasants. It is a significant difference that has strategic implications for these schemes' potential for redistributive reform (or absence of it) [*but see Gutierrez and Borras, 2004, for VOS*]. Both VOS and VLT operate in the context of expropriation; that is, if landlords refuse VOS or VLT, their estates could nonetheless be acquired by the state. Finally, CARP's last acquisition mode is Compulsory Acquisition or CA, through which land is expropriated with or without the landlord's cooperation. OLT is akin to CA.

The VLT scheme, as will be argued in this article, represents the ideal at the voluntary non-redistributive pole, as opposed to the Compulsory Acquisition mode, though the other schemes could be interpreted and implemented in a non-redistributive spirit as well, such as the case of the stock distribution option as employed by the huge sugarcane hacienda owned by ex-president Aquino [*Putzel, 1992: 332–38*], or the voluntary offer-to-sell used in some highly anomalous land sales within CARP [*ibid.: 312–19*]. Big landlords did not waste time in exploiting the voluntary schemes made available within the CARP law, and multinational agribusinesses did not really view CARP from a negative perspective, since most of them leased land from the government anyway and the critical issue for them was whether the land reform beneficiaries would later increase rent rates [*see ibid.: 242*].

Nevertheless, after more than a decade and contrary to earlier pessimistic predictions, CARP has achieved modest but significant land redistribution. Official reports estimate that more than 5 million hectares of private and

public lands, accounting for some two-fifths of the country's farmland, were redistributed to landless rural poor by end 2001. These lands came into the hands of more than 2 million rural poor households, representing some two-fifths of the Philippines' peasant population. If this data is taken at face value, the level of land distribution achieved is comparable to that accomplished in historically important land reforms elsewhere. But interpretations of the actual amount of redistribution vary from uncritical agreement with the official figures to outright rejection.⁶ This article argues that the truth is likely to be somewhere between the state's optimistic claims and the earlier pessimistic predictions of CARP critics. This view is supported by Putzel, who admits that earlier pessimistic predictions were partly wrong, because 'the programme has certainly touched a far greater proportion of the country's land and rural population than its early critics predicted' [2002: 219]. Clarifying whether and why reported land distribution via market-based schemes should be counted as redistributive reform is an important step towards a better assessment of land reform, in the Philippines and elsewhere.

Finally, in recent years anti-reform forces within the state and society have intensified their efforts to frustrate the reformist initiatives within CARP that peaked in the years 1992–98 [see *Borras, 2001a, 1999*]. Congress has consistently cut annual budget allocations for CARP's land acquisition component; and this accelerated decline in budget has undermined CARP's ostensible objective of expropriating the most economically productive and politically contentious private lands. Using the issue of insufficient funds as an excuse, conservative forces have increasingly employed the VLT scheme as a way to side-step redistributive land reform. For the Philippine state, a VLT-based CARP implementation strategy appears to have become a politically convenient means to effectively drop redistributive land reform from the state policy agenda. While the government has not admitted as much in official statements, neither has it continued to expropriate to a significant extent the private landholdings of landlords and rich peasants. This formula is thus 'win-win' in a conservative sense. Moreover, in recent years the state appears increasingly willing to maintain expropriatory components within CARP only to the extent necessary to 'politically manage' the country's extensive networks of NGOs and peasant organisations by keeping them busy with complicated land cases which are relatively parochial in scope. Somehow this has led many NGOs and peasant organisations to lose sight of the strategic perspective of redistributive reform and stay away from radical forms of collective action [see, for example, *Franco, forthcoming*].

The VLT Scheme

Since 1988, VLT has been used to an increasing extent to transfer land, although past administrations preferred not to emphasise these transactions in

high profile, formal policy discourse. A policy shift occurred in early 2002 when the government announced its adoption of VLT as the main strategy to 'redistribute' land.

Table 2 presents quantitative data on VLT transactions from 1988 to 2001. Among others, two features are noteworthy: (a) A significant portion of DAR official land redistribution figures is made up of aggregate VLT output, at 435,019 hectares, representing 25 per cent of the total redistribution achieved on private lands (see columns E1 to F3) affecting some 200,000 peasant households; (b) VLT output is highly uneven across geographic locations, regions and provinces. A little over half (55 per cent) of total VLT output comes from five regions (Regions 1, 9, 10, 4 and 12) out of 14 (see column F1).

Officially, VLT outputs are considered gains for redistributive land reform. Unfortunately, academic, policy and political circles have shown little interest in critically examining the VLT. In fact, some have uncritically accepted the government line. An example is the declaration of Riedinger and colleagues:

CARP had redistributed over 1.03 million hectares of private agricultural land by 1997. Half of this area was fully redistributed through programs of 'Voluntary Offer-To-Sell' (265,744 hectares) and 'Voluntary Land Transfer' (276,307 hectares), suggesting that CARP – which is based on compulsory acquisition – provided a powerful incentive for landowners to enter into voluntary 'market' transactions to transfer their lands to the agrarian reform agency or to erstwhile tenants and farm laborers [2001: 373].

Closer examination of the VLT transactions reveals their non-redistributive nature. This is done by analysing empirical evidence from the annual CARP internal programme audit and other cases. First, however, it is important to introduce the CARP internal audit system. One of the reforms carried out by DAR Secretary Ernesto Garilao (1992–98) was the creation in early 1994 of the Audit Management and Investigation Committee (AMIC) under the inter-agency Presidential Agrarian Reform Council (PARC). This was the Garilao DAR's response to public clamour for greater transparency and accountability in CARP implementation. The AMIC is composed of representatives of the DAR Internal Audit Service, the PARC Secretariat and peasant and landowner sectors represented in the PARC. Among the main tasks of the AMIC is to validate official land redistribution reports by confirmation of beneficiaries; inspection, verification and approval of surveys; validation of the land valuation process; and verification of landowner compensation, title registration and distribution of land award certificates. AMIC works via

sampling, examining two provinces in every region and three municipalities from each of the two pre-selected provinces:

... the first two provinces in the region in terms of [land acquisition and distribution] accomplishments will be selected for the audit. In case the first two provinces have already been covered by the previous CARP audit activities, get the next two ranking provinces; and ... in choosing the three municipalities to be audited within the selected province, the three municipalities will be randomly selected from the top 50% of the municipalities in terms of [land acquisition and distribution] accomplishments within the province [*PARC, 2001: 3*].

Moreover, in each audited municipality about 10 per cent of land acquisition and distribution is closely examined. The AMIC's systematic and thorough audits from 1994 to 2001 cover all provinces in the country. Qualitatively and quantitatively, it is thus a reliable source of rich empirical data about the internal workings of CARP implementation; its large sample population provides evidence of the possible extent of problems in VLT. This article draws on case studies from these reports to provide a better idea about the nature of VLT. To deepen our understanding of VLT transactions, additional case studies researched first-hand by the author are examined. This article has identified four 'ideal' types of VLT: (a) straightforward land reform evasion; (b) petty but widespread rent-seeking; (c) lease to own scheme; and (d) VLT leaseback integrated schemes.

Straightforward Land Reform Evasion Straightforward evasions of expropriation via VLT are seen in three broad patterns. First, a quite common evasion tactic is to declare children, relatives and other dummies as beneficiaries. The CARP law allows children and other relatives to become 'preferred' beneficiaries only if they were at least 15 years of age as of 1988 and actually tilling or willing to till the land. In normal administrative procedures, such transactions are listed as retention rights claims of landlords – and so are excluded from the land acquisition and distribution accomplishment reports (being in the 'non-reform sector'). However, by reporting such transfers as VLT transactions, these cases can be categorised as land reform accomplishment ('reform sector'). Evidence shows that many of the VLT 'transfers' sampled in the AMIC audit reports not only were made in favour of family members, but of family members who were not legally qualified to become beneficiaries because they were minors and/or not working on the farm. For example, 'In the sample municipalities of Masbate and Sorsogon, most of the awardees under the VLT scheme were members of the family and relatives of the landowners. Hence the partitioning of the

TABLE 2
DEPARTMENT OF AGRARIAN REFORM'S LAND DISTRIBUTION ACCOMPLISHMENT, BY REGION AND PROVINCE,
VIA VOLUNTARY LAND TRANSFER (VLT), 1972-2001

A1		A2		C	D	E1	E2	F1	F2	F3	G1	G2	G3
National ranking in land redistribution output		B	Land redistribution output by DAR (private + public) (ha)										
By %*	By qty (ha)**			Province/ Region			Qty (ha) of land redistribution	% share in the total redistribution output on private and public lands	Qty (ha)	% share total redistribution output of DAR	% share total redistribution output on private land by DAR	by %*** in the total redistribution output in private land	by %*** total redistribution output of DAR (private + public)
<i>By Region</i>					81.15	1,737,951	54.07	435,019	13.54	25.03			
1	12	Region 1	126,720	98.71	102,272	80.70	61,872	48.82	60.49	2	1	1	
2	9	Region 9	200,993	98.28	112,056	55.75	46,952	23.36	41.90	4	3	2	
3	2	Region 3	367,890	94.85	279,393	75.94	25,708	6.98	9.20	14	12	9	
4	10	Region 13	175,825	93.02	58,513	33.27	21,746	12.36	37.16	6	8	10	
5	11	Region 10	160,979	92.90	91,310	56.72	46,039	28.59	50.42	3	2	3	
6	4	Region 11	268,757	91.13	184,569	68.67	37,671	14.01	20.41	8	6	6	
7	3	Region 2	288,820	87.68	159,595	55.25	30,076	10.41	18.84	9	9	7	
8	7	Region 4	264,123	81.74	166,194	62.92	44,969	17.02	27.05	7	5	4	
9	1	Region 12	412,849	77.77	103,636	25.10	42,674	10.33	41.17	5	10	5	
10	14	CAR	65,911	77.75	19,115	29.00	15,163	23.00	79.32	1	4	12	
11	6	Region 8	286,802	77.12	65,817	22.94	11,129	3.88	16.90	11	13	13	
12	13	Region 7	103,615	74.75	68,488	66.09	2,544	2.45	3.71	13	14	14	
13	5	Region 6	287,445	63.45	167,190	58.18	21,219	7.38	12.69	12	11	11	
14	8	Region 5	203,337	57.83	159,886	78.63	27,285	13.41	17.06	10	7	8	
<i>By Province</i>													
1	73	Catanduanes	6,845	100.00	6,405	93.57	5,225	76.33	81.57	8	3	27	
2	76	Batanes	449	100.00	229	51.00	229	51.00	100.00	1	8	74	
3	63	Aurora	11,400	99.38	10,902	95.63	3,022	26.50	27.71	42	18	45	

(continued)

TABLE 2 (cont'd)

A1		A2		C	D	E1	E2	F1	F2	F3	G1	G2	G3
National ranking in land redistribution output		Province/Region	Land redistribution output by DAR (private + public) (ha)										
By %*	By qty (ha)**	B				Qty (ha) of land redistribution		Qty (ha)					
4	5	Zamboanga Sur	120,175	99.06	73,602	61.24	34,389	28.61	46.72	26	16	1	
5	69	La Union	8,810	99.04	7,429	84.32	5,456	61.92	73.44	13	6	23	
6	13	Pangasinan	74,521	98.97	59,192	79.42	25,640	34.40	43.31	31	14	3	
7	20	Zamboanga Norte	53,948	98.93	23,918	44.33	10,902	20.20	45.58	28	25	11	
8	43	Ilocos Norte	24,336	98.76	17,849	73.34	16,472	67.68	92.28	3	5	7	
9	25	Antique	47,521	98.45	2,907	6.15	780	1.65	26.83	43	73	68	
10	37	Zambales	29,026	98.17	12,325	42.46	6,983	24.05	56.65	18	21	16	
11	11	N. Ecija (North)	91,742	98.02	81,590	88.93	6,603	7.19	8.09	65	58	17	
12	39	Surigao Norte	28,111	97.94	5,224	18.58	2,834	10.08	54.24	20	46	48	
13	56	Aklan	15,754	97.85	3,659	23.22	1,271	8.06	34.73	36	54	63	
14	38	N. Viscaya	28,481	97.59	7,180	25.20	5,232	18.37	72.86	14	27	26	
15	48	Quirino	21,533	97.17	6,154	28.57	3,306	15.35	53.72	21	32	43	
16	58	So. Leyte	14,553	97.01	1,160	7.97	125	0.85	10.77	61	74	76	
17	64	Ifugao	11,104	96.86	4,687	42.21	3,715	33.45	79.26	10	15	40	
18	28	E. Samar	45,802	96.72	6,303	13.76	4,295	9.37	68.14	15	50	35	
19	51	Ilocos Sur	19,053	96.13	17,803	93.43	14,305	75.08	80.35	9	4	8	
20	16	Tarlac	66,916	96.05	55,887	83.51	4,474	6.68	8.00	66	60	32	
21	53	Agusan Norte	18,216	95.96	11,331	62.20	4,527	24.85	39.95	32	19	31	
22	35	Mindoro Occ	31,221	95.52	25,285	80.98	3,004	9.62	11.88	57	49	46	
23	23	Palawan	47,954	95.41	17,336	36.15	6,239	13.00	35.98	35	38	19	
24	54	Bataan	17,608	95.22	10,508	59.68	3,078	17.48	29.29	41	29	44	
25	3	Bukidnon	125,424	94.75	61,058	48.68	30,925	24.65	50.64	23	20	2	

(continued)

TABLE 2 (cont'd)

A1		A2		D		E1		E2		F1		F2		F3		G1		G2		G3	
National ranking		in land		%		E1		E2		F1		F2		F3		G1		G2		G3	
redistribution		output		accomplishment		DAR's total private		% share in the		Qty (ha)		% share total		% share total		by %*** in the		by %*** total		by qty	
output		output by DAR		of DAR total		land		total redistribution		Qty (ha)		redistribution		redistribution		total redistribution		redistribution		output of DAR	
output		(private + public)		land redistribution		redistribution		output on private		Qty (ha)		output of DAR		output on private		output in private		output of DAR		output of DAR	
output		(ha)		target		target		and public lands		Qty (ha)		output of DAR		land by DAR		land		(private + public)		(ha)****	
By	By	B	C	D	E1	E2	F1	F2	F3	G1	G2	G3									
%*	qty	Province/	Land	%	Qty (ha) of	% share in the	Qty (ha)	% share total	% share total	by %*** in the	by %*** total	by qty									
(ha)**	(ha)**	Region	output by DAR	of DAR total	land	total redistribution	Qty (ha)	redistribution	redistribution	total redistribution	output of DAR	output of DAR	output on private	output in private	output of DAR	output of DAR	output of DAR	output of DAR	output of DAR	output of DAR	
(ha)**	(ha)**	Region	(private + public)	land redistribution	land	total redistribution	Qty (ha)	redistribution	redistribution	total redistribution	output of DAR	output of DAR	output on private	output in private	output of DAR	output of DAR	output of DAR	output of DAR	output of DAR	output of DAR	
(ha)**	(ha)**	Region	(ha)	target	redistribution	output on private	Qty (ha)	redistribution	redistribution	total redistribution	output of DAR	output of DAR	output on private	output in private	output of DAR	output of DAR	output of DAR	output of DAR	output of DAR	output of DAR	
26	30	Bulacan	44,575	93.92	18,445	41.37	786	1.76	4.26	71	72	67									
27	18	So. Cotabato	65,655	93.87	41,095	62.59	5,722	8.71	13.92	55	52	21									
28	40	Basilan	26,869	93.76	14,535	54.09	1,661	6.18	11.42	58	62	54									
29	7	Cagayan	111,642	93.11	63,734	57.08	12,110	10.84	19.00	45	43	10									
30	27	Davao Oriental	46,136	93.11	32,342	70.10	5,329	11.55	16.47	50	42	24									
31	41	Davao Sur	25,484	93.93	17,331	68.00	1,350	5.29	7.78	67	64	62									
32	34	Surigao Sur	31,293	91.82	13,855	44.27	745	2.38	5.37	69	70	69									
33	10	Davao Norte	92,530	91.68	58,490	63.21	17,349	18.74	29.66	40	26	6									
34	22	Pampanga	51,733	91.67	46,518	89.91	1,633	3.15	3.51	74	69	56									
35	9	Agusan Sur	98,205	91.56	28,103	28.61	13,640	13.88	48.53	24	35	9									
36	17	N. Ecija (South)	66,290	91.26	54,119	81.63	2,151	3.24	3.97	73	68	51									
37	44	Marinduque	24,064	90.13	4,952	20.57	4,238	17.61	85.58	6	28	36									
38	72	Apayao	6,129	88.40	2,501	40.80	1,471	24.00	58.81	17	22	59									
39	42	Misamis Or.	24,945	88.08	19,642	78.74	9,301	37.28	47.35	25	13	12									
40	60	Guimaras	12,341	87.86	11,117	90.08	5,943	48.15	53.45	22	9	20									
41	68	Mt. Province	8,997	87.85	613	6.81	582	6.46	94.94	2	61	71									
42	75	Camiguin	2,111	87.73	2,111	100.0	1,944	92.08	92.08	4	1	51									
43	36	Quezon I	29,734	86.79	18,022	60.61	4,737	15.93	26.28	44	30	29									
44	57	Davao City	15,243	86.25	11,602	76.11	4,334	28.43	37.35	34	17	34									
45	65	Kalinga	10,948	84.35	2,640	24.11	1,450	13.24	54.92	19	37	60									
46	70	Misamis Occ	8,499	83.42	8,499	100.0	3,869	45.52	45.52	29	10	39									
47	8	Sultan Kudarat	104,271	81.59	25,363	24.32	867	0.83	3.41	75	75	66									

(continued)

TABLE 2 (cont'd)

A1		A2		D		E1		E2		F1		F2		F3		G1		G2		G3		
National ranking in land redistribution output		B		C		Land redistribution output by DAR (private + public) (ha)		accomplishment of DAR total land redistribution in the total DAR redistribution target		DAR's total private land		Voluntary Land Transfer, VLT		National ranking in VLT output		National ranking in VLT output		National ranking in VLT output		National ranking in VLT output		
By %*	By qty (ha)**	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region	Province/Region
48	71	Romblon	7,771	81.37	7,754	99.78	4,621	59.46	59.59	16	7	30										
49	21	W. Samar	53,565	80.77	17,266	32.23	2,493	4.65	14.43	54	66	50										
50	67	Biliran	9,372	80.72	3,500	37.34	1,124	11.99	32.11	38	41	64										
51	46	Sarangani	23,709	80.60	23,709	100.0	3,587	15.12	15.12	53	33	41										
52	2	Isabela	126,715	80.34	82,298	64.94	9,199	7.25	11.17	59	57	13										
53	19	Lanao Norte	61,398	77.64	9,369	15.25	3,581	5.83	38.22	33	63	42										
54	1	(North) Cotabato	157,968	77.26	45,484	28.79	19,940	12.62	43.83	30	39	4										
55	66	Laguna	10,876	77.11	5,997	55.13	1,062	9.76	17.70	46	48	65										
56	15	Negros Or.	68,855	76.83	41,774	60.66	160	0.23	0.38	77	77	75										
57	31	N. Samar	40,084	76.35	8,595	21.44	2,934	7.31	34.13	37	55	47										
58	33	Quezon II	36,456	76.20	32,682	89.64	5,671	15.55	17.35	47	31	22										
59	32	Albay	39,070	76.04	33,897	86.75	5,265	13.47	15.53	52	36	25										
60	59	Rizal	13,540	75.36	7,513	55.48	325	2.40	4.32	72	71	73										
61	12	Lanao del Sur**	89,213	74.64	23,421	26.25	18,287	20.49	78.07	11	24	5										
62	26	Capiz	46,489	74.00	26,111	56.16	4,164	8.95	15.93	51	51	38										
63	24	Iloilo	47,457	72.19	43,659	91.99	4,823	10.16	11.04	60	45	28										
64	49	Sorsogon	21,505	71.86	19,273	89.62	1,866	8.67	9.68	64	53	53										
65	47	Bohol	22,742	71.06	16,250	71.45	1,653	7.26	10.17	63	56	55										
66	62	Cebu	11,871	70.73	10,317	86.90	618	5.20	5.99	68	65	70										
67	61	Benguet	12,340	70.63	1,796	14.55	1,531	12.40	85.24	7	40	57										
68	4	(N.) Leyte	123,273	68.83	28,840	23.39	473	0.38	1.64	76	76	72										
69	77	Siquijor	147	67.74	147	100.0	113	76.87	76.87	12	2	77										

(continued)

TABLE 2 (cont'd)

A1		A2		D		E1		E2		F1		F2		F3		G1		G2		G3		
National ranking		in land		%		DAR's total private land		%		Voluntary Land Transfer, VLT		%		%		National ranking in VLT output						
redistribution		output		of DAR total		land redistribution		total redistribution		output of DAR		total redistribution		output on private		output in private		output of DAR		by qty		
output		output by DAR		land redistribution		in the total DAR		output on private		output of DAR		total redistribution		output on private		land		(private + public)		(ha)****		
By	By qty	B	C	D	E1	E2	F1	F2	F3	G1	G2	G3	by %***	by %***	by %***	by %***	by %***	by %***	by %***	by %***	by %***	
%*	(ha)**	Province/ Region	Land redistribution output by DAR (private + public) (ha)	accomplishment of DAR total land redistribution in the total DAR redistribution target	Qty (ha) of land redistribution	% share in the total redistribution output on private and public lands	Qty (ha)	% share total redistribution output of DAR	% share total redistribution output on private land by DAR	total redistribution output in private land	total redistribution output of DAR (private + public)	total redistribution output of DAR (private + public)	in private land	in private land	in private land	in private land	in private land	in private land	in private land	in private land	in private land	
70	45	Mindoro Or.	23,877	67.55	19,523	81.76	9,123	38.20	46.72	27	12	14										
71	50	Batangas	21,234	66.44	14,725	69.34	1,511	7.11	10.26	62	59	58										
72	55	Abra	16,393	63.84	6,878	41.95	6,414	39.12	89.35	5	11	18										
73	74	Cavite	5,996	61.47	4,609	76.86	1,416	23.61	30.72	39	23	61										
74	14	Camarines Sur	72,676	54.77	57,739	79.44	7,726	10.63	13.38	56	44	15										
75	52	Camarines N.	18,386	51.39	16,021	87.13	2,749	14.95	17.15	48	34	49										
76	6	Negros Occ	118,178	47.97	79,737	67.47	4,238	3.58	5.31	70	67	37										
77	29	Masbate	44,854	47.21	26,551	59.19	4,455	9.93	16.77	49	47	33										

Notes:

* 'By %' means ranking based on percentage of land redistribution accomplishment as against the total redistribution target or scope.

** 'By Qty' means ranking based on the quantity of land (in hectares) redistributed as against the total redistribution target or scope.

*** 'By %' means ranking based on percentage of VLT-based land redistribution as against the total land redistribution outputs in private lands (G1) and combined private and public lands (G2).

**** 'By Qty' means ranking based on quantity of land (in hectares) redistributed through VLT.

***** Excludes the autonomous region of Muslim Mindanao (ARMM). Data from Lanao del Sur until 1996 included in the table, but after 1996 accomplishment data from this province was included in the ARMM report. Except for the data on net output, all figures are the author's own computation based on official government reports.

Source: Land Acquisition and Distribution Status, or Table 4, as of 31 December 2001, Management Information Service (MIS), Department of Agrarian Reform [see *DAR, 2001a*].

landowner's properties among . . . heirs was merely facilitated and costs for documentation, transfer taxes, surveys, and titling all charged to CARP funds'.⁷ In another case in Iligan, Lanao del Norte, of the 26 farmer beneficiaries interviewed during the audit, some were not actually tilling the lands awarded to them: one being a manager of a drugstore, two having migrated to the USA prior to distribution of the said land, nine being full-time students and still minors and one being manager of a printing press.⁸

The second type of evasion is the practice of declaring as beneficiaries people who are completely unaware of the transaction. While most likely to be not as widespread as the first, this second type is indicative of the creativity and daring of some landlords in connivance with corrupt local government officials in circumventing a potentially redistributive land reform policy. The CARP law imposes a ten-year land rental/sales prohibition. After this period the anticipation is that the land will be formally 'resold' to the 'former' owner or family members thereof – thus completing a cycle of land transfer on paper without any change in actual control of property rights and agrarian relations. An AMIC-documented case hints at this practice: 'In Tandag, Surigao del Sur, CLOAs . . . were awarded to three farmer-beneficiaries . . . who were not aware of the award, ignorant of the owner and location of the landholding, and not willing to till the land.'⁹

The third type is where peasants are coerced to agree to become 'paper beneficiaries'. In this type, the landlord is declared to have complied with the land reform law, while the old tenancy sharing arrangement between landlord and tenants/farm workers continues, despite the formalities of land transfer in official documents. Again, the landlord anticipates an on-paper resale after the ten-year rental/sales prohibition. This evasion type is perhaps the most difficult to document since when it occurs, it involves a politically and economically powerful, despotic landlord. This is the case of a large landholding in Central Luzon, but the on-paper beneficiaries refused to talk openly about it for fear of reprisal from their landlord-patron.¹⁰

Petty but Widespread Rent-Seeking The VLT scheme is also used as money-making enterprise by some local DAR officials. Though similar to the cases cited above, the difference in this second type is that it is more at the initiative of local DAR officials than the landlords. It seems to occur in two broad varieties. First, it is a well-known 'secret' within the internal circles of the agencies associated with land reform that some government officials coach the landlords in how to evade land reform via VLT. This is done on the condition that a set of beneficiaries that the government official provides, in addition to the landlord's preferred and paper beneficiaries, are included in the final set of beneficiaries. For example:

Four (4) children aged 9, 11, 13, and 15 years of Pangasinan's incumbent [Provincial Agrarian Reform Officer, or PARO] were made beneficiaries.¹¹ [...] DARMO-Matalam [North Cotabato] awarded CLOAs to four absentee tillers. [...] Same is true to the landholding of Brigida Cubita whose properties were awarded to her 12 children who are mostly non-occupants of the said landholdings. The rest of her landholdings were further subdivided to the children of her brothers Domingo Cubita and Victor Cubita, who was a former PARO of North Cotabato province.¹² [...] In Pigcawayan, North Cotabato, MARO's 1993 record showed that there were 64 CLOAs actually received by the farmer-beneficiaries involving 80 hectares mostly under the VLT scheme. Five (5) sample beneficiaries were confirmed, but two ... were professional government employees.¹³

Second, DAR officials report ordinary land sales that occur in the village or *municipio* as land redistribution accomplishment under the VLT scheme. In so doing, local DAR officials effectively give the parties to the land sales attractive incentives to commit fraud: free survey and title generation and exemption from transfer taxes. For example, 'In Esperanza, Agusan del Sur, a sale transaction of an agricultural land in *barangay* Dacutan owned by Carmen Sire and sold to Antonio Polizon ... covering an area of 5 hectares was processed as VLT'.¹⁴ Moreover, a former provincial DAR official confides:

I even discovered that through VLT the buyer in an ordinary land sale deal is declared a beneficiary and the land sale process a CARP transaction. I knew personally a VLT transaction in Camarines Sur where the buyer who did not know that the seller made the land sale transaction within VLT came to my office to have his CLOA cancelled because he said he is not a land reform beneficiary but a legitimate land buyer ... Most VLT reports are for accomplishment padding by municipal DAR officials; you would know because these are landholdings that are not even part of the CARP working scope, then suddenly they are reported as accomplishment.¹⁵

The data in Table 2 on VLT land transfer accomplishment includes the farm size category of '5 hectares and below' which is supposed to be excluded from land redistribution because it is within the landlord's retention right (leasehold is supposed to be implemented in this farm size category). Instead, as shown in official DAR reports [*DAR, 2001a*], a substantial portion of the total VLT-based land distribution comes from the 5 hectare farm size category.¹⁶

Lease-to-Own Type A lease-to-own type of evasion appears recently to have become popular among landlords, multinational corporations and DAR officials in some parts of Mindanao (southern Philippines; specifically Regions 12 and 10, see Table 2). These are the regions where global fruit giants such as Dole are rapidly expanding their production of fruits such as banana and pineapple. This production expansion is of a relatively newer kind, as it is no longer based on plantation production where huge tracts of contiguous lands are directly controlled and managed by a multinational company or large domestic landed elite. Rather, the current expansion is founded on smaller farms, and production and exchange relations revolve around various types of either contract growership or lease arrangement [*see Vellema, 2002*].

Such a lease-type arrangement works as follows: The landlord and the beneficiary enter into a VLT arrangement; the landlord is thus deemed to have complied with the land reform law.¹⁷ A key aspect of the arrangement is that the set of beneficiaries must be totally acceptable to and approved by the landlord, otherwise the latter will not voluntarily transfer the land. Naturally, the priority beneficiaries – those most acceptable to the landlord – are the landlords' children, relatives and other dummies. But on many occasions, legitimate tenants and farm workers become beneficiaries as well. The terms of reference of the contract are then submitted to the local DAR, which, it appears, automatically approves such contracts and quickly reports the transaction as land distribution accomplishment. Then the landlord and the beneficiaries, together with the local DAR officials, submit the same landholding to a multinational company – Dole in the case of North Cotabato province – for a special lease arrangement.

Dole's standard terms for such an arrangement are as follows: (a) lease rental for the land is PhP 12,000/ha/year (US \$240); (b) the contract is for ten years, renewable for another ten years at the sole option of Dole; (c) during the first seven years all the monthly rentals are paid by Dole to the landlord;¹⁸ (d) after seven years of regular payment by Dole to the landlord the beneficiary shall be deemed fully paid for the land, and so the land shall be fully his/her property; (e) starting the eighth year the beneficiary shall begin to receive the yearly rental of PhP 12,000/ha until the end of the contract in the tenth (or 20th) year; (f) meanwhile, starting in the first year until the end of the contract, the beneficiary shall be employed as a worker in the Dole-operated farm at minimum wage, which was PhP 160/day (US \$3.20) in early 2002; (g) Dole bankrolls the entire VLT process, paying a 'finder's fee' of PhP 1,000/ha to whoever can bring in a landlord with a set of beneficiaries for the scheme (reportedly, many local DAR and local government officials have ended up being paid handsomely with finder's fees). Dole also awards a 'signing bonus' to contracted peasants and pays for notarisation and

production of documents. Dole retains all documents, however, including the CLOAs.¹⁹

After only two years of rapid expansion (from 2000 to 2002), this VLT-based, multinational-driven land transfer scheme reportedly now covers some 20,000 hectares of prime agricultural land in Cotabato and Bukidnon provinces, affecting some 20,000 households.²⁰ Interestingly, in Cotabato a ridiculously low total quantity of land – only 67 hectares – was expropriated under the Compulsory Acquisition scheme between 1988 and 2001, as opposed to the total of 20,000 hectares ‘distributed’ under VLT (refer to Table 2, no. 54 in first column; also within Region 12).

VLT-Based Integrated Schemes There are also VLT-based integrated arrangements. Three such cases are examined below: (a) the Danding Cojuangco ‘joint venture’; (b) the Floirendo ‘leaseback’; and (c) the Marsman profit-sharing scheme. Combined, the cases examined below directly affect at least 10,000 farm workers. Though no official data are available on the extent to which VLT-based integrated schemes have been implemented nationwide, perhaps more important is the profound impact of cases such as these on the politics of land reform more generally: these cases involve big landowning families in the country, and their actions are likely to influence the course of land reform implementation throughout the nation.

(a) The Danding Cojuangco joint venture scheme The estate involved in this case is the more than 4,000 hectare orchard worked by more than 1,000 farm workers in the province of Negros Occidental (central-western Philippines).²¹ The world-class, modern orchard, formerly a sugarcane plantation, is owned by one of the most powerful landlord-businessmen in the country, Eduardo ‘Danding’ Cojuangco Jr. A crony of former president Ferdinand Marcos, Danding was accused of amassing tens of thousands of hectares of land under questionable circumstances. But Danding is a resilient politician. He survived the 1986–88 regime transition and became influential in the subsequent administrations of Joseph Estrada and Gloria Macapagal-Arroyo.

Sometime in the mid-1990s, Danding started to negotiate with the DAR (Ramos administration, 1992–98) on how CARP could be implemented at the orchard. His proposal was to employ VLT to enable his farm workers to buy the land directly on the condition that it would automatically be placed under a joint venture agreement between his company and the worker-beneficiaries’ cooperative. Payment for the land was to come from the dividends that beneficiaries were expected to earn. The terms of the joint venture proposal were as follows: (a) the government would not spend money on land acquisition since it would be a direct deal between Danding and his workers via VLT; (b) Danding would retain ownership of

the newly installed modern plantation infrastructure, such as irrigation pipes and farm machinery; (c) Danding would invest in the installation of processing plants and a modern management system; (d) the land price would be set at PhP 350,000/ha (\$8,500); (e) the workers were to be employed in the joint venture company; (f) ownership of the land was to be collective, in the name of the farm worker beneficiaries' cooperative; (g) joint venture shares were to be allotted 30–70 per cent in favour of Danding; (h) the joint venture agreement would be in effect for 25 years renewable for another 25 years at the sole option of Danding; (i) the beneficiaries' cooperative would put its CLOA into the joint venture company as equity. The negotiation of this special land reform deal was not concluded at the time however, because the term of office of the Ramos administration ended (in mid-1998), although the CLOA was generated during that period.

A new round of negotiation started when the Estrada administration assumed office in mid-1998. Danding's offer remained basically the same as under the previous administration, with two important exceptions. First, Danding had purged from 'his' list of beneficiaries several dozen workers who had been critical of his scheme. Effectively, Danding was the one deciding who would be included in and excluded from the beneficiary list.²² Moreover, this was done in the context of Danding's systematic harassment of autonomous organising initiatives among the farm workers, the latter failing to gain substantial ground.²³ Second, though Danding originally negotiated a purchase price of PhP 350,000/ha for his land, during President Estrada's visit to the orchard in late 1998 he made the surprise announcement that he instead would give his land to the workers for free – but still on the condition that the land would be put into the joint venture. This prompted Estrada to declare Danding the 'godfather of land reform', a pronouncement that was met by popular protest from agrarian reform activists.

Reacting to various public criticisms, the DAR came up with a counter-proposal with the following features. First, the equity that the worker-beneficiaries were to put into the joint venture was to be 'land use' and not the land title (or CLOA) so as to protect the workers' claim over the land in event of bankruptcy of the joint venture.²⁴ Second, the government, represented by DAR, was to be allowed to join the joint venture under the following arrangement: 30 per cent share for the beneficiaries, 65 per cent for Danding, and 5 per cent for the government, supposedly to deny Danding an automatic two-thirds majority vote in the company and to enable the government to provide assistance and protection to the beneficiaries. Finally, the duration of the joint venture was to be shortened to ten years, renewable upon mutual agreement of all

parties involved. Unsurprisingly, Danding rejected DAR's counter-proposal, leading to a long impasse in the case (up to the time of this writing in late 2003).²⁵

*(b) The Floirendo leaseback scheme*²⁶ The Floirendo family has been one of the Philippines' most influential political-economic elites since the 1960s. Like Danding, the family survived the 1986–88 regime transition and subsequent national administration turnovers. One of the largest of the domestic banana sector-based elites,²⁷ the family has links to multinational companies like Del Monte and controls thousands of hectares of land, both privately owned and leased from government. For their privately owned plantations, they originally tried to frustrate land reform by setting a sky-high asking price for their lands: PhP 750,000/ha (\$15,000) in 1997. However, in 1998 the government-owned Land Bank assessed the value at only \$5,500/ha.²⁸ Meanwhile, in 2001, a local court declared the value of a banana plantation like that owned by the Floirendos at \$26,000/ha.

Thus, many were surprised when the Floirendos sold their plantation in 2002 for PhP 92,000/ha (\$1,900). But the sale was made through VLT integrated in a leaseback contract. The contracts had five main features: (a) the land was to be bought directly by the farm workers from the Floirendo family; (b) the worker-beneficiaries would lease the land back to the Floirendo family for 30 years, renewable for another 30 years at the sole option of the Floirendos; (c) payment for the land was to be amortised within 30 years and be automatically deducted from the lease rental due to the worker-beneficiaries; (d) the lease rental was set at PhP 5,000/ha/year (\$100); (e) the worker-beneficiaries would remain employed as workers on the plantation; and (f) the Floirendo family would have the sole right to buy back the land of any beneficiaries who gave up their land or were later disqualified as beneficiary.

The terms of such integrated contracts reveal landlords' attempts to transform the VLT leaseback scheme into a powerful anti-reform formula. The Floirendo family's decision to radically lower their asking price for the land was tied to the leaseback arrangement: the lower the land price, the lower the lease rent would be.²⁹ The 60-year lease contract is virtually a lifetime; before the sixtieth year, most beneficiaries would have died without ever owning the land they were supposed to have gotten from land reform. The Floirendo family offered cash advances for the rentals to the would-be beneficiaries and exerted vigorous efforts to 'de-list' from the beneficiary roll farm workers belonging to autonomous organisations that demanded expropriation of the plantations. Splits in the farm workers' ranks erupted full-blown as the Floirendos moved to consummate contracts – with support from the VLT-inspired DAR leadership [*Franco, 2004*].³⁰

(c) *The Marsman profit-sharing scheme* Roberto Sebastian, former secretary of the Department of Agriculture (1992–95) and president and chief executive officer of Marsman banana company, came up with a modified arrangement for the Marsman plantation, a farm that is geographically near that of the Floirendo's and for which Marsman originally put a price tag of PHP 1.2 million/ha in 1997.³¹ The land would be donated, not sold, to farm worker-beneficiaries (transaction classified as VLT), but on four conditions: (a) the worker-beneficiaries would allow Marsman to use the land free of charge for 30 years, renewable for another 30 years at the sole option of Marsman; (b) the worker-beneficiaries would be hired as farm laborers; (c) unlike the straightforward leaseback of the Floirendo family, the Marsman formula was to provide annual production and profit shares to the beneficiaries which it claimed to be better than the lease rental arrangement because profits and profit shares could rise unlike a fixed land rent; and (d) Marsman would have the sole right to buy back the land of any beneficiaries who gave up their land or were disqualified as beneficiary [*Marsman*, 2002].

The government moved to approve this proposed contract. President Gloria Macapagal-Arroyo herself ordered its approval. During the 31st meeting of the Presidential Agrarian Reform Council (PARC), where Marsman was asked to present its proposal, President Arroyo confidently declared, 'The formula for land reform is acquisition and redistribution. [In this Marsman formula] we are saving acquisition. We are going straight to distribution. Praise God!' To which DAR Secretary Hernani Braganza replied, 'In the long term, Madame President, this could serve as a model to the whole industry. The productivity is not lost. The value of the land is not lost.' Finance Department Secretary Camacho concluded, 'Madame President, we like your formula very much. With your formula, we are in full support. We think that it is excellent'. Roberto Sebastian was elated. The Marsman farm workers directly affected by the proposal were not even invited to take part in this meeting that would decide their fate [*PARC*, 2002].

Extent of VLT Transactions Nationwide Table 2 shows the extent of VLT transactions nationwide over time, but like other aggregated official quantitative data it fails to reveal the full extent of the dynamic power relations that determine land redistribution on a given estate. The exact extent of non-redistributive/non-reformist VLT-based land transfers is difficult, if not impossible, to determine for two principal reasons. First, and as discussed earlier in this article, land redistribution is power redistribution. A case-by-case assessment is therefore necessary to determine whether and to what extent a redistribution did occur on a particular landholding contested by various competing actors. This is true for all land redistribution modalities within CARP, including VLT. Second, as demonstrated in the cases cited

above, when VLT is used by landlords to comply with the land reform law it is usually accompanied by transaction processes that too are controlled by landlords, which makes it impossible to determine the exact quantity of fraudulent VLTs.

However, reliable informants provide better estimates of the extent of non-redistributive VLT. Three DAR undersecretaries for field operations and support services (USEC-FOSSO), the top officials who oversee CARP implementation nationwide, were unanimous in their negative view of VLT. Ding Navarro said, 'I don't know the exact percentage but the majority [of VLT-based land transfers], maybe as much as 70 per cent were resorted to by the landowners. . . to evade coverage.'³² According to Gerry Bulatao, VLT is often a transaction between relatives ('*malimit na transakyon ng magkakamag-anak*').³³ Hector Soliman proposed setting aside all official VLT land transfer accomplishments and having them all reviewed.³⁴ Soliman's position is supported by the head of DAR's Internal Audit Service, Ding San Andres, who is also the head of the AMIC. He has been lobbying the top DAR leadership to require a review of all VLT.³⁵ Moreover, in most of the VLT cases discussed above, the transactions were registered as land sales based on 100 per cent spot-cash, prompting Lorenz Reyes, a senior member of the national DAR Adjudication Board, to comment, 'You will have serious doubts because these VLT schemes are mostly on cash basis. How can a poor tenant afford to pay 100 per cent spot-cash for the land? It is most likely that these are just stage-managed, especially where the landowners are politically strong enough to control their tenants'.³⁶

Table 2 conceals more than it reveals about the reality of VLT. Nonetheless, preliminary examination of the tabulated data reveals a broad pattern of non-redistributive VLT, which has likely been carried out more systematically than previously assumed. In geographic areas where the presence of autonomous peasant movements and their allies is thin and weak, VLT cases have higher incidence. Examples are the CAR region and Regions 1, 9, 10, 12 and 13 (columns F1 to G3, Table 2) and the province of North Cotabato of Region 12 and Quezon II of Region 4 (see nos. 54 and 58 first column, respectively) [*see also Borrás, forthcoming, 2001b*]. Moreover, four of the five regions that posted the highest overall land redistribution (see column A1, Table 2) are also top VLT 'producers', namely, Regions 1, 9, 13 and 10. This suggests that VLT has been used as vehicle for 'redistribution' in these regions to a larger extent than elsewhere in the country. This is broadly the same pattern registered at the provincial level (see column A1, by province), especially in smaller isolated provinces such as Catanduanes, Batanes, and Camiguin (nos. 1, 2 and 42, column A1, Table 2) where autonomous peasant organisations are generally absent. However, even in provinces where autonomous farm workers and peasant organisations have

relatively stronger presence, non-redistributive VLT can still gain ground, such as in the provinces of Davao del Norte (no. 33, column A1) and Negros Occidental (no. 76, column A1), where particularly powerful landlords have overpowered pro-reform movements on specific estates to gain consent to non-redistributive VLT agreements (such as the cases of Floirendo and Marsman in Davao and Cojuangco in Negros).

The WB's Market-Led Agrarian Reform

The fact that MLAR has been implemented full scale in the Philippines since 1998 is often cited in the literature, both that of the WB and its critics [*see, for example, Deininger and Binswanger, 1999; El-Ghonemy, 2001*]. This is not the case, as deduced by some scholars [*for example, Franco, 1999a, 1999b; Reyes, 1999*] and as will be shown below, and it is important to clarify the matter.

Since the early 1970s, the WB has played an important role in shaping the policy directions for rural development in the Philippines. The WB, together with some key organisations in US foreign policy circles, such as the US Agency for International Development (USAID), have generally maintained a policy position against redistributive land reform in the country, though this position has, at times, been challenged from within. Historically, the WB has worked for an agricultural and rural development approach in the country that is based more on economic growth than on equity [*see Putzel, 1992*]. Thus, while the WB eventually supported CARP, its assistance was limited to infrastructure construction (for example, roads and bridges) in communities where lands had been successfully redistributed, rather than extending to the land redistribution itself [*see Fox and Gershman, 2000*].

The WB and USAID worked together to pilot test the concept of voluntary, market-led land transfer schemes in Latin America in the 1970s–1980s [*Dorner, 1992: 86–91*]. Similar advocacy of the two agencies was present in the Philippines during the CARP policymaking process [*Putzel, 1992*]. But while USAID was more vocal in advocating voluntary land transfer schemes during the CARP policymaking process [*ibid.: 293–95*], it was the WB that later systematically lobbied the Philippine government to veer away from expropriation and to adopt voluntary non-expropriatory modes of ‘land reform’.

The first attempt made by the WB to recruit government officials to embrace its MLAR was in 1996 when it insinuated in its country policy papers that the Philippine government must halt CARP’s land distribution implementation especially in the 5–24 hectare farm size category, because it was said to be ‘distorting’ the land market and financially expensive [*WB, 1996, 1997a, 1997b*]. Under Garilao, the DAR rejected the WB proposal and subsequent noisy public protest from agrarian reform activist circles drove the WB officials to hasten away from the Philippine CARP. They came back

three years after, with renewed vigour and persistence, making some modest policy inroads [*Franco, 1999b*].

In early 1999, the WB officials came back to the Philippines to convince the then new DAR leadership to at least support a small pilot MLAR project in the context of exploring other 'complementary approaches' in implementing land reform. For different reasons, including the hope of receiving new loans from the WB amidst a creeping shortage of public funds, the DAR leadership expressed interest in exploring the possibilities of MLAR.³⁷ In late 2000, and after a long, complex negotiation process, it was agreed that a much smaller project – a feasibility study – would be carried out.³⁸

The MLAR feasibility study largely involved desk-bound macro-policy studies and produced papers favourable to the pro-market policy model. For example, Esguerra [*2001*] predicted MLAR's economic viability, though he warned about the less controllable institutional, organisational and financial factors that could prevent a demand-driven process, among others. Edillion [*2001*] presented elaborate comparative data between different land acquisition schemes in different crops, and likewise predicted MLAR's financial viability, though like Esguerra, she cautioned about the unpredictability of other factors out in the field. Mamon [*2001*] endorsed the continuation of the feasibility-cum-pilot project but underscored the crucial role of autonomous social preparation in the communities involved. Finally, an operational manual [*DAR, 2001b*] was produced, outlining the ways and means through which MLAR could be implemented in the country.

The feasibility project also involved two community-based test cases from which reports were produced. The contents of these documents, however, are routine, pre-project evaluations of standard operating procedures: profiles of prospective buyers and sellers, characteristics of the lands for sale, and so on. Going through the documents and interviewing some of those directly involved in the feasibility study at the community level, however, yielded additional data and insights.

The first project site is in *barangay* Sibula, Lopez Jaena, Misamis Occidental (see Table 2, no. 46, column A1; also within Region 10) involving a tenanted 178 hectare stretch of (provincial) government-owned land (48 hectares of which lie idle, while 130 hectares are planted to coconut and other subsistence crops). There are 178 potential buyer-beneficiaries. The buyers were chosen through the usual DAR/CARP process; that is, mainly by the DAR but with the participation of all potential beneficiaries and an assisting NGO. The government originally set the land price at PhP 31,000/ha, but that was rejected by the beneficiaries and other parties in the arrangement. The government's final offer was PhP 16,000/ha payable in ten years [*UPSARDFI, 2001: 94–95*]. The buyers would shoulder the full cost of the land [*MUCEP, 2001*].

The other project site is in *barangay* Hagonghong, Buenavista, Bondoc Peninsula Quezon (see Table 2, no. 58 column 58, also within Region 4) and involves a tenanted 48 hectare stretch of private marginal farmland planted to coconut and other subsistence crops. The land has been for sale since 1989 and was being sold to the DAR when discussions about the MLAR feasibility project began. The landlord originally set the land price at PhP 35,000/ha payable through a 25 per cent down payment, with the balance paid in instalments over ten years. Nineteen potential beneficiary households were chosen through the normal DAR/CARP process (again, mainly by the DAR but with active participation of the potential beneficiaries and an assisting NGO). The relatively organised potential beneficiary households rejected the landlord's asking price and bargained for a much lower price. The final price was set at PhP 6,000/ha. The buyers would shoulder the full cost of the land to be paid in cash through a loan from the Land Bank at commercial interest rates [UPSARDFI, 2001: 94].

Little insight can be deduced from the current feasibility study, except perhaps the following: From the first case, the key lesson seems to be that even a government entity can be tempted to overprice land slated for sale to peasants under the direct sale process. The second case, at a glance, seems interesting, especially how the land price was bargained down. Yet we cannot take this case as representative because the balance of power was overwhelmingly in favour of the peasants due to the direct assistance of national-provincial-local government and non-government actors in pressuring the landlord to abide by the prevailing land price levels in the isolated village. Such concerted intervention from highly autonomous and militant groups is unlikely to be replicated on a wide scale.³⁹

Despite, or because of, the limited insights that can be derived from the feasibility study, the WB decided to continue and expand it into a small pilot programme. Planned to begin in mid-2003, the small pilot aims to facilitate the sale of 1,000 hectares to 1,000 rural poor households. The estimated cost of this project is US \$5.24 million, or \$5,240 (PhP 262,000) per beneficiary.⁴⁰

IV. CONCLUSION

Redistribution of wealth *and* power from the landed elite to the landless poor peasants is the essence of land reform. As discussed earlier, the MLAR land transfer scheme requires 100 per cent spot cash payment to the landlord for 100 per cent (or higher) value of the land, and that 100 per cent of this cost (plus the transaction cost) is shouldered fully by the buyer. The MLAR proponents claim bias for the poor, but the theoretical and operational assumptions of the policy model tend to contradict this. Thus, arguably, even within the strictly economic perspective about land, redistribution of wealth

is absent in MLAR. 'Exchange' of goods in the market between sellers and buyers is not the same as, or do not necessarily constitute, redistribution of wealth. Moreover, this article has shown VLT cases where redistribution of power is absent despite formalities about redistribution of land (wealth). In these cases, there has been no pro-poor transfer of power for the effective control of land resources. The main flaw of these market-based land transfer schemes lies on fundamental concepts about redistributive reform as well as on operational mechanisms. As Putzel [1992: 240] explains: 'When "voluntary" agreements are permitted, the way is open for landowners to coerce their tenants and farm workers to arrive at an agreement favourable to the owners'.

Furthermore, evidence from the Philippines tends to contradict predictions of MLAR, as will be discussed below following the broad outline of the MLAR theoretical model. These outcomes are broadly similar to the MLAR experiences in Brazil, Colombia and South Africa [Barros, Sauer, and Schwartzman, 2003; Borras, 2003a]. In Brazil and Colombia, MLAR was found to facilitate land transfers that do not constitute redistributive reform and, in so doing, to undermine potentially redistributive, pre-existing state-led land reform procedures [Sauer, 2003; Mondragon, 2003; Borras, 2002]. In South Africa, MLAR blocked the chances of a more radical expropriation-redistributive land reform being enacted into law [Levin and Weiner, 1997; Bernstein, 1998].

Gaining Access to Land

A land acquisition method that is voluntary and provides 100 per cent spot-cash payment to landlords for 100 per cent market value of their land will lead to successful land reform. When understood as power redistribution, 'land redistribution' and 'voluntary policy' become inherently contradictory terms. Landlords are unlikely to give up power voluntarily in favour of the traditionally powerless peasants, despite attractive monetary valuation of their estate. Continued control over their farms not only means material wealth to landlords, but it also provides political power, captive votes during elections, access to broader political networks and social prestige, among others. As stated earlier, it is difficult to determine the exact extent of non-redistributive, fraudulent VLT cases. However, top DAR officials in charge of the land redistribution programme nationwide express the view that most of the VLT-based transfers are non-redistributive. The cases examined here show VLT transactions that were faked redistribution involving 'paper sales' and/or 'paper beneficiaries', either family members, willing poor and non-poor dummies, coerced tenants and farm workers or people who were completely unaware of the transaction. While the lease-to-own VLT type may eventually result in the actual transfer of some lands to some farm

workers, there is, arguably, no effective redistributive reform in these cases either: the landlords are fully compensated at market value (or even higher), while the farm workers shoulder the full cost of the land purchase, and multinational corporations gain full control over the land.

Pro-MLAR scholars may argue that the problem with the Philippine VLT lies with the ongoing, parallel state-led expropriation and not with VLT itself.⁴¹ Yet elsewhere anti-reform manoeuvres made by landlords through market-based land transfer schemes have occurred both in settings with ongoing, parallel state-led expropriation programmes (for example, Brazil) and where there are none (for example, Colombia and South Africa). Landlords in Brazil, Colombia and South Africa warmly received MLAR [Navarro, 1998; Deininger, 1999], just as VLT was welcomed by Philippine landlords. In Brazil, Colombia and South Africa, the main anti-reform manoeuvre employed by landlords was overpricing excess marginal lands and selling them to the programme [Barros, Sauer, and Schwartzman, 2003; see also Buainain et al., 1999; Rosset, 2001].

'Demand-driven' and 'self-selection' approaches in choosing beneficiaries ('willing buyers') will ensure proper beneficiary targeting. The self-selection principle advocated by MLAR fits well with the fundamental principle of VLT; that is, total acceptability of the set of beneficiaries to the landlords who are 'volunteering' their land for 'land reform'. The net result is the types of beneficiaries described above. Thus, on some occasions, it is possible that 'demand' from the side of the rural poor is staged, instigated, distorted, coerced or concocted by anti-reform actors. In many agrarian societies, and in the specific cases examined above, effective articulation of demands by poor landless peasants is constrained or facilitated by contending class forces in perpetual political conflict [see Fox, 1994]. Some demands articulated by autonomous peasant groups might be hidden or excluded from the mainstream policy discourse. This happened in the case of permanent and seasonal farm workers of the Cojuangco orchard who were purged from the final list of beneficiaries.

Such problems have likewise plagued the MLAR programme in Colombia, as admitted by Deininger [1999; see also Forero, 1999; Mondragon, 2003]. This occurred to an equally significant extent in Brazil [Navarro, 1998] and South Africa [Deininger and May, 2000].

A privatised-decentralised implementation approach to land reform will lead to a greater degree of accountability and transparency in policy implementation. Contrary to the assumption of MLAR proponents that local government officials are best suited for the task of information provision, evidence in the Philippines shows that some local government officials have indeed provided information, but in favour of landlords and other elite players more than of the poor landless peasants. In some cases local officials

have either coached landlords on how to use VLT to evade expropriation or led multinational companies to landlords who would be interested in entering into some special arrangement. In return, these officials gain favour, either by having themselves and their family members and dummies listed as beneficiaries in land transfer fraud or by collecting finder's fees from companies, or both. The lease-to-own VLT cases and some of the AMIC cases attest to these. Moreover, VLT has been carried out most extensively by DAR officials in provinces where the presence of autonomous NGOs and peasant organisations is thin and weak. As such, corrupt practices are unlikely to be closely checked. This largely explains the high numbers of VLT transactions in Regions 1, 2, 9, 12 and 13 (see Table 2).

In Brazil and Colombia, local government officials have also taken control of various aspects of the MLAR programmes in ways not always beneficial to poor peasants, from information manipulation and selection of buyers to land pricing [Navarro, 1998; Buainain *et al.*, 1999; see also Bobrow-Strain, 2004]. This is contrary to MLAR's theoretical predictions.

A voluntary land reform avoids political and legal contentions and thus will be quick to implement. The cases presented above show that the 'spot-cash payment' approach advocated by MLAR and allowed in the VLT scheme has become a means by which landlords quickly have their evasion from expropriation consummated. In Brazil and Colombia, the spot-cash payment to landlords has also facilitated quick land sale transactions, but largely in favour of the seller [Forero, 1999; Borrás, 2003a].

A voluntary land reform that pays landlords 100 per cent spot-cash for 100 per cent market value of the land will result in lower land prices. Contrary to this MLAR assumption, evidence shows that, under certain circumstances, land prices in fact depend not on some 'politically neutral' technical mechanics in land valuation and payment schemes, but more on landlords' political-economic interest and power to perpetuate ownership of and/or control over land. Hence, this issue is not one of 'pricing' in solely monetary terms, and is not so much about free markets, but very much about power and power relations, confirming the multi-dimensional function of land. This explains why the Floirendo family is selling their land at one-fourteenth of what the local court says is the 'just price', and why Danding Cojuangco and Marsman are giving away their lands 'for free'. Monetary prices are inconsequential to the most common type of VLT: the VLT-as-scheme-to-evade-expropriation. Still, it is most convenient to declare 'reasonable' price levels so as not to attract critical attention to the fraud. Without such attention, the evasion process can be consummated at once through a cash-based transaction. Moreover, the lease-to-own VLT type demonstrates that payment mode and negotiation processes between willing sellers and buyers have nothing to do with the actual setting of land prices. As in the case

connected with Dole, described above, it is the proposition of the multinational corporation – what Dole is willing to pay under what terms – that determines the land price, even if the subsequent lease rent level is quite onerous relative to the banana industry standards.

In Brazil and Colombia, the MLAR mode of land valuation and payment to landlords has not resulted in lower land prices. Quite the contrary, it led to highly overpriced marginal lands. In Brazil, some lands sold through MLAR programmes were 30 to 50 per cent more expensive than lands (with comparable features) sold through the state-led land reform [*Groppo et al., 1998*]; overpricing was worse in Colombia [*see Deininger, 1999; Forero, 1999*].

Post-Land Purchase Farm Development

The implementation sequence of 'farm plans before land purchase' will result in quick, certain, dynamic farm and beneficiary development in favour of the rural poor. Conceptually, the idea of requiring farm plans before land purchase seems sound. In reality, however, it fits well with the landlords' evasive schemes and so can easily become an anti-reform tool. The Dole lease-to-own VLT and the various VLT arrangements on the Cojuangco, Florendo and Marsman plantations show how this requirement can be used for anti-reform purposes. In these cases, plantation lands were 'redistributed' only after firming up the post-land transfer farm plans that fit within the framework described above, locking the beneficiaries into long-term, lopsided agreements.

Though this requirement has generally and formally been part of the MLAR approach in Brazil, Colombia and South Africa, it has not resulted in quick, certain and dynamic post-land purchase farm development, partly because there was nothing much left in the buyers' budget to buy goods and services for the post-land transfer development, largely due to the 'unexpectedly' high land prices [*see Borras, 2002, 2003a*]. In addition, oftentimes the lands bought are marginal and thus require unexpectedly high investment to make them productive.

Privatised-decentralised and 'demand-driven' approaches to extension services and a voluntary land reform founded on cash-based land sales will result in greater credit and investment in favour of the rural poor. It is true, as predicted by MLAR, that voluntary land transfers do not drive away landlord-based investments and credit; they even attract fresh inflows. The critical question is who actually benefits from the maintenance and fresh inflows of investments and credit? This is the same question posed on the issue of privatised-decentralised extension services. In the cases presented here, the investors and landlords benefit much more than the poor 'beneficiaries'.⁴²

In Brazil, Colombia and South Africa, evidence shows that because lands sold under the programme were marginal and located in remote places, credit and investments were unlikely to be forthcoming [*see Buainain et al., 1999; Navarro, 1998; Barros, Sauer, and Schwartzman, 2003; Borrás, 2002*]. In the few cases where external investors did come in on some redistributed farms in South Africa, it has since become clear that, as in the Philippines, beneficiaries needed urgent protection against anti-reform manipulation by the investors [*see Deininger and May, 2000*]. The broader literature on the 'contract growing scheme' has already pointed out the onerous terms of these contracts in different settings [*see, for example, Watts, 1994; White, 1997*].

Funding and Financing Mechanisms

A voluntary land reform founded on cash-based land sales requires beneficiaries to shoulder the full cost of land to cut down the cost of the land reform. The MLAR's underlying motivation of reducing public spending appears to be taken more seriously than government's responsibility to carry out redistributive reform. For example, using the same MLAR argument, the Macapagal-Arroyo administration announced in early 2002 its adoption of VLT as the main strategy for land reform in the Philippines. The administration is candid enough to admit that the choice for this type of scheme was driven by the desire to cut spending. And while President Arroyo admitted that she never asked Congress for any money for land reform,⁴³ she and her key Cabinet officials were particularly excited about the Marsman formula. In fact, in 2003 the Macapagal-Arroyo administration and its allies in Congress moved to pass a law that would dilute CARP by removing the land sales and rental prohibition law, making CLOAs tradable legal instruments (for example, allowing the immediate use of a CLOA as collateral for commercial bank loans).⁴⁴ Therefore, for governments pressed by international financial institutions to cut public spending, MLAR and its variants seem an attractive option and convenient means to effectively drop redistributive land reform from the policy agenda.

The choice by the ANC government of South Africa to take on the WB-proposed land reform policy was made amidst pressures from international financial institutions to minimise state expenditures [*see Levin and Weiner, 1997*]. The same reason more or less pushed the Brazilian and Colombian governments to agree to pilot test the WB's policy model. Financial considerations, not the aspiration for redistributive reform, have become the starting point of MLAR in the Philippines, as elsewhere.

In Sum

Based on the available evidence, the preliminary conclusion of this article is that market-based land transfer schemes, both MLAR and its VLT variant, do

not promote redistributive reform. Politically and policy process-wise, these schemes have provided landlords better and broader means by which they can quickly consummate their evasion from redistributive land reform, especially in settings like the Philippines where the landed classes remain entrenched within the state and society. Thus, the MLAR and MLAR-like VLT schemes undermine, rather than complement, potentially redistributive state-led land reforms. The findings in this study support Putzel's recent observation about MLAR and MLAR-like VLT schemes in the Philippines:

the Bank's model provided a convenient justification for the movement toward voluntary land transfers. Because it ignores the institutional and political dimensions of the market, it can offer little hope for accelerating redistributive reform in the country; instead, it seems to be gaining influence precisely as a means to wind down further redistributive reform efforts [2002: 224–25].

The fundamental flaw of MLAR and MLAR-like schemes lies largely in the overemphasis of their proponents on purely monetary-economic doctrines rather than on the multidimensional, political-economic nature of property rights and land use, as well as redistributive reform. Finally and by implication, critiques of the MLAR that focus on 'implementation feasibility' (financial and administrative) issues of the pro-market policy model, rather than on substance and process, may actually support MLAR.

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NOTES

1. See, for example, Riedinger *et al.* [2001], El-Ghonemy [2001] and Ghimire [2001]. In addition, scholars who are broadly pro-market have also criticised MLAR to some degree on the grounds that it is expensive, but they nevertheless call for further MLAR experimentation [see, for example, Carter, 2000; Sadoulet, Murgai and De Janvry, 1998; Banerjee, 1999; de Janvry *et al.*, 2001 – but see Akram-Lodhi, 2002]. The two 'electronic consultations' facilitated by the WB in January 2003 and March 2001 also provide an overview of the varying views on MLAR coming from different policy, political and academic circles (refer to the WB land policy website).
2. This conceptual explanation is consistent with the nuanced discussion on the concepts of 'endowments' and 'entitlements' by Leach, Mearns and Scoones [1999].
3. This section draws largely from Borrás [2002, 2003a, 2003c, *forthcoming*]. In fact, the market-based approach is not new. USAID carried out several small-scale experiments even during the height of land reformism in the 1960s and 1970s, especially in Latin America; refer to Dorner [1992: 82–85]. Even then, Flores [1970: 149] argued, 'if the land is purchased at market value – rather than expropriated – this represents not land reform but a mere real estate transaction'; see also Dorner [1992: 10–11]. However, the scholarly camp that advocates the greater role of market mechanisms in promoting greater access to land by the rural poor is quite broad and diverse ideologically [see Lipton, 1993; De Janvry *et al.*, 2001]. In this article, 'MLAR policy model' means the more or less official WB version as articulated in the work of Deininger (and to some extent, Binswanger); see WB [2003].

4. Privatisation of state farms in former socialist countries is also an integral part of the MLAR, but it is not discussed in this article. For critical studies, see, for example, Spoor [1997].
5. This was however revised/reduced in early 1996 to 8.064 million hectares [see Borrás, 2003b].
6. For those who reject the official data, the most cited reasons are: (a) government tampering with official statistics; and (b) lands reported as redistributed but where the beneficiaries are not actually in possession of the land due to continuing landlord opposition. While there is some degree of truth in such cases, the size of the lands and the number of peasant households affected is not sufficient to upset the accomplishment level reported by the government. Unfortunately, most of these critics fail to analyse VLT as non-redistributive and so inadvertently include it as land reform accomplishment.
7. AMIC-PARC [PARC, 1997] Report for 1996–97, section on DAR, p.48.
8. AMIC-PARC Audit Report [PARC, 1997], 1996–97, section on DAR, p.10. The preponderance of this type of VLT has been confirmed by several top DAR officials interviewed for this study. Interview with Gerry Bulatao, 21 January 2002, Quezon City. In separate interviews with the author, two former DAR secretaries (Ernesto Garilao and Horacio Morales) and two other undersecretaries for operations (Ding Navarro and Hector Soliman) also shared Bulatao's thoughts about VLT, while almost all of the interviewed DAR national bureau and regional directors shared this view of VLT.
9. AMIC-PARC Audit Report for 1995 [PARC, 1996], section on DAR, p.8.
10. Interview with Soltero Coronel (pseudonym), brother of four 'paper beneficiaries' in the said case.
11. AMIC-PARC Report for 1994 [PARC, 1995], section on DAR, p.11.
12. AMIC-PARC Audit Report for 1996–97 [PARC, 1997], section IV on DAR, p.9.
13. *AMIC-PARC Report for 1992–93* [PARC, 1994], section on DAR, p.7. *DARMO* = *DAR Municipal Office*; *MARO* = *Municipal Agrarian Reform Officer*.
14. AMIC-PARC Report for 1995 [PARC, 1996], section on DAR, p.17.
15. PARO Jose Grageda (Camarines Sur); Interview, 14 January 2002, Mandaluyong City; see also AMIC-PARC report for 1998, section on DAR.
16. Meanwhile, the same VLT-based, five hectare farm size category has seen the least scope deduction compared with other farm size categories and acquisition modes over time [Borrás, 2003b], providing further evidence of the likelihood of a systematically rigged institutional process of VLT implementation.
17. Data for this case study was gathered largely during field work conducted in early 2002. This included interviews with several actors: VLT-CARP beneficiaries contracted by Dole in *barangays* Berada and Meohao, Kidapawan, North Cotabato; several local DAR officials (in the DAR municipal office of Kidapawan); the municipal agrarian reform officer of Makilala; the provincial agrarian reform officer of North Cotabato; the chairman of the Barangay Agrarian Reform Committee (BARC) of Meohao; as well as a number of NGO community organisers including Nestor Tapia of the Philippine Ecumenical Action for Community Empowerment (PEACE) Foundation and Joey Gloria of the Philippine Rural Reconstruction Movement (PRRM).
18. Moreover, the standing crop is the sole property of the landlord.
19. Photocopies of none of the contracts were secured for this study, despite persistent attempts to obtain one. It turned out that even the local DAR office had no copies of such contracts, just as the beneficiaries themselves do not have copies. The local DAR officials and beneficiaries reported to the author that after making them sign for the documents, Dole took back all the documents including the CLOAs, ostensibly for legal notarisation, but never gave them back or even a photocopy (interviews with local DAR officials, beneficiaries and village government officials in *barangays* Berada and Meohao, Kidapawan, February 2002).
20. Estimates of local DAR officials, NGO leaders and banana industry players.
21. It is planted to high-value export crops such as mango and durian.
22. The same strategy was employed by Cojuangco on his farm lands in Davao del Sur according to the DAR director who handled the cases there (interview with the DAR regional director, Davao, 11 February 2002).

23. Several attempts to organise active, full-time employed farm workers did not produce any significant results, said peasant leader Basilio Propongo who lives in a village adjacent to the contested estate. Propongo is a member of the Presidential Agrarian Reform Council (PARC) representing the peasant sector for the Visayas (interview, 19 February 2002, Quezon City). Later, some NGOs were able to organise some farm workers who were purged by Danding from the original beneficiary list. In addition, they were able to organise the many seasonal farm workers of the orchard who were denied their right to become beneficiaries of land reform on the contested estate. The spearheads for this organising initiative were the NCPERD (Negros Center for People's Empowerment and Rural Development), an NGO headed by PIC Priest Rodrigo Anoran and a district-wide peasant organisation (UMMA) which is, in turn, affiliated with the national coalition UNORKA (based on discussion sessions with Fr. Anoran, NCPERD staff, and UNORKA leaders between the last quarter of 2001 and August 2003, Quezon City and Davao City); see also Feranil [2003].
24. There is a legal tension here: CLOAs cannot be re-sold within ten years of being awarded.
25. A top official in the Macapagal-Arroyo DAR told the author that since they assumed leadership at the DAR, they had made no decision on the Danding Cojuangco land (interview, 1 February 2002, Quezon City). They were apparently waiting for a go-signal from the Office of the President regarding the matter.
26. Primary data for the Floirendo and Marsman case studies are drawn from a variety of sources: contract documents and interviews with key actors, namely, Roberto Sebastian; Rodolfo del Rosario (brother-in-law of Don Antonio Floirendo Sr. and incumbent governor of Davao del Norte in 2002); top leaders of the pro-Floirendo cooperative (who requested to remain anonymous in this article); top leaders of autonomous cooperatives (Enrico Cabanit of Floirendo's Worldwide Agricultural Development Corporation or WADECOR); Ben Isidro of Floirendo's Tagum Agricultural Development Corporation or TADECO-Central; Komersendo Canias of Marsman; several NGO organisers and activists; an NGO representative to the Provincial Agrarian Reform Committee, Davao del Norte Ernest Reyes; banana private sector entrepreneurs George Mercado and the late Antonio Javellana; as well as numerous DAR officials (who prefer to remain anonymous in this study). Interviews were carried out between June 2001 and March 2002, except for the much earlier series of discussions with the late Antonio Javellana. Numerous interviews and discussions with ordinary farm workers – beneficiaries or otherwise – on the Floirendo- and Sebastian-controlled plantations were made between 1998 and early 2002. Useful background was provided by Lara [2001], a study on the cooperative bias in land redistribution on commercial plantations.
27. The banana industry is the most lucrative sector in Philippine agriculture with an annual production value per hectare ten times more than irrigated riceland. The number of affected farm workers is almost the same as the quantity of hectares, with the banana plantation having a 1:1 ratio in hectare-worker (and so, the average size of the awards on banana plantations is 1:1 hectare-beneficiary). For a historical background refer to Tadem *et al.* [1984], De la Rosa [2004] and Hawes [1987].
28. Interview with Romeo Fernando Cabanial, Land Valuation Officer, LBP-XI, 5 February 2002, Davao City.
29. LBP XI's Cabanial said that based on the study of the Land Bank of the Philippines, if the land price was Php 350,000, the lease rent/ha/year would be Php 45,000 based on the prevailing industry standards.
30. These points have been underscored by Enrico Cabanit, Ben Isidro and Komersiendo Canias of the various autonomous farm workers' groups who opposed the schemes of Floirendo and Marsman. Interviews with the three peasant leaders were conducted 18 February, 16 February, 9 February, respectively, all in Davao in 2002 (except for the interview with Cabanit which was held in Quezon City). Even the top leaders of the pro-Floirendo groups have started to complain about the onerous character of the contracts, but refused to confront Floirendo openly for fear of violent reprisal. Such was confided to the author by leaders of pro-management cooperatives in the WADECOR and TADECO-Central Floirendo plantations in interviews in February 2002 in Davao.

31. In 1999, WB's Klaus Deininger talked with the owner of Marsman about how the latter viewed the possibility of having his land subjected to the MLAR model. Marsman's owner reportedly readily endorsed the MLAR concept and volunteered his plantation for the pilot project, but with a sky-high PhP 1.2 million/ha (spot-cash) price tag. No follow-up negotiation with Marsman regarding MLAR occurred after that incident.
32. Interview, 16 January 2002, Quezon City.
33. Interview, 21 January 2002, Quezon City.
34. Interview, 18 January 2002, Quezon City.
35. Interview, 1 March 2002, Quezon City.
36. Interview, 29 January 2002, Quezon City.
37. Based on various discussions between the author and DAR Secretary Horacio Morales in 1999.
38. The feasibility study started in October 2000 [*WB, 2000a*: 3] with funding of US \$398,000 [letter from Assistant Secretary Toinette Raquiza to DAR Secretary Horacio Morales Jr. dated 27 February 2001]. This is different from – although broadly related to – the DENR project on land management and administration with a US \$5.4 million funding from the WB and AusAid [*WB, 2000b*]. Throughout 1999 and onwards, non-governmental organisations and peasant movements from the broad political spectrum rejected MLAR or any pilot programme for it [*see Franco, 1999a; 1999b; Reyes, 1999; UNORKA, 2000*], forcing the WB to re-label MLAR in the Philippines Community-Managed Agrarian Reform Program or CMARP.
39. The buyers in this case are associated with the militant-but-pragmatic national coalition of peasant organisations (UNORKA), that consistently rejected MLAR. The NGO that assisted the buyers in this case is the Philippine Ecumenical Action for Community Empowerment (PEACE) Foundation, which has a long history of autonomous and militant organisation and mobilisation work among the landless peasants, especially on Bondoc peninsula. PEACE Foundation was interested in directly learning the ins and outs of MLAR conceptualisation and implementation and so volunteered to critically but directly engage in the feasibility study. In an interview with its national president, Manuel Quiambao (15 March 2002, Quezon City), it was revealed that the NGO had long decided (since the first campaign against MLAR in 1996) that as a national policy, MLAR must be rejected. But such rejection must be firmly grounded on empirical evidence in the Philippine context – hence, PEACE's decision to critically participate in the feasibility study. However, when the Macapagal-Arroyo administration announced that it was adopting the VLT scheme as the main strategy to implement land reform, PEACE pulled out from the feasibility study amidst its escalating calls for outright rejection of any voluntary approach to land reform, whether CARP's VLT or WB's MLAR or a combination of the two [*PEACE, 2002*].
40. Contained in the letter dated 30 October 2001 from DAR's Assistant Secretary Jose Mari Ponce to WB Country Director Robert Vance Pulley. The money will come from the Japan Social Development Fund (JSDF) grant.
41. For an interesting related discussion with specific reference to the Philippines, refer to Ciamarra [2003].
42. Perhaps another interesting example to show how problematic the assumptions about investments and demand-driven approach in relation to redistribution of wealth and power is the recent experience of land-based wildlife conservation programme in Zimbabwe where white rural elite are able to retain or even expand control over land resources and generate profits without significant pro-poor wealth redistribution. This is excellently analysed by Wolmer, Chaumba and Scoones [2003].
43. *Philippine Daily Inquirer*, 11 June 2002.
44. As of this writing (late 2003), the bill is being deliberated in the bicameral committee of both the upper and lower houses of Congress amidst popular protest from peasant groups.

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