

**2010**

---

No.10-100

**Market-Led Agrarian Reform:  
A Beneficiary Perspective of *Cédula da Terra***

**Veronika Penciakova**

**Published: March 2010**

Development Studies Institute

London School of Economics and Political Science

Houghton Street

London

WC2A 2AE UK

Tel: +44 (020) 7955 7425/6252

Fax: +44 (020) 7955-6844

Email: [d.daley@lse.ac.uk](mailto:d.daley@lse.ac.uk)

Web site: [www.lse.ac.uk/depts/destin](http://www.lse.ac.uk/depts/destin)

### Abstract

World Bank-supported market-led agrarian reform (MLAR) programmes were formulated to redistribute land in areas of high concentration. These projects aimed to be a speedier, less costly and less conflictual method of redistribution than state-led efforts. Quantitative evaluations have shown that MLAR reforms have often failed, but have been less informative regarding the underlying causes of underperformance. This paper proposes that MLAR's central weakness is its inattentiveness to country-specific socio-political factors that influence land relations. To assess this claim, a modified beneficiary assessment (BA) of Brazil's Cédula da Terra (CT) will be conducted. This paper finds that the design of CT disregarded beneficiary socio-political concerns and that the persistence of these affected project implementation and outcomes.



## List of Tables and Figures

---

Table 1: MLAR and INCRA Comparison .....	24
Table 2: Land Concentration over Time .....	25
Figure 1: Land Occupations.....	26
Figure 2: Land Related Conflicts.....	27

# Chapter 1: Introduction

*Allow me, dear reader, a minute of your attention*

*To speak of an evil that wounds the ground of my beloved land Brazil.*

*A land of excluded and marginalized people, a land of poets and working men*

*Where people fight and dream Of patience still unknown*

*But a people who fight for their lives, confronting challenges of pain*

*– Adauto Nogueira (MST settler)<sup>1</sup>*

paper evaluates the market-led model because the World Bank has recently advocated its implementation in Brazil, Colombia, El Salvador, Guatemala, the Philippines and South Africa.

The market-led model has been promoted as a more efficient, less costly and less conflictual method of reducing rural inequity and increasing agricultural productivity. However, past quantitative evaluations have indicated that projects have underperformed. While programmes have contributed to increased rural income, in many cases they have been poorly targeted, benefited fewer families than expected and redistributed unproductive land. Further, as a result of limited access to rural credit, unsustainable beneficiary debt and inadequate technical assistance, agricultural productivity has remained low and farms have been abandoned. Finally, rural violence and land invasions have escalated as a result of rural dissatisfaction with the MLAR process (Borras et. al, 2008).

Because standard quantitative analyses are ineffective at recognising how non-economic factors affect project outcomes, they often leave the underlying causes of programme failures unexplored. Therefore, this paper introduces a qualitative beneficiary perspective into the evaluative framework to show that the willing buyer-willing seller model is primarily designed to address economic causes of land concentration, and that beneficiary dissatisfaction and project failures arise as a result of the persistence of t the



## Chapter 2: The Logic and Necessity of Reform

This chapter explores the economic and social justifications for equitable land distribution, the causes of persistent land concentration and the intended role of the market-led model in mitigating land inequality. Developing countries pursue land redistribution because they are often characterised by high land concentration. In Latin America alone, the Food and Agricultural Organizations estimates that two percent of landowners control over 72 percent of cultivated land (Todaro and Smith 2006, 430). Such high concentration has contr



collateral, land redistribution increases access to credit and thus facilitates the execution of productivity-enhancing investments (Besley and Burgess, 2000). Finally, through increased investment in new crops, fertilizer and irrigation systems, smallholder farmers can enhance production, increase household incomes and contribute to country-level economic growth. Evaluations support the role of reforms in increasing productivity.<sup>2</sup> For example, by redistributing nearly half of its arable land, Mexico stimulated agricultural productivity. After decades of sluggish



policies and are unable to act collectively to change them (Binswanger and Deininger, 1997). Landed elites are better able to act collectively since they represent a smaller and more concentrated group. Through collective action, landowners have historically been successful in avoiding expropriation and taxation, attaining subsidies and steering policies “meant to increase productivity into capital-intensive programs for large farms, thus perpetuating inequality and inefficiency” (Binswanger and Deininger 1997, 1996). Ultimately, although equal land distribution enhances productivity and socio-political equity, high land concentration persists as a result of market distortions and political power imbalances. In an effort to ameliorate land inequality, developing countries have pursued redistributive reforms.

of the 896 titles [granted] had been used to secure loans” (Musembi 2008, 50). While MLAR aims to resolve credit market constraints, factors such as incomplete information, government inaction and



## Chapter 3: The Beneficiary Assessment Approach

design of redistributive programmes adequately acknowledges these non-economic factors and effectively respond to the self-identified needs of targeted groups. A beneficiary analysis also contributes to a fuller understanding of how non-economic factors impact project implementation and outcomes. The World Bank has recognised the importance of beneficiary perspectives, and since the 1980s has periodically implemented beneficiary assessments of development projects.

### **Role of Beneficiary Assessment**

Beneficiary assessments are implemented because the people targeted by development projects are often marginalised from the programme formulation process (Salem, 2002). For example, during the design of Cédula da Terra beneficiaries were not consulted to determine whether the market-based approach effectively addressed their grievances. In order to ensure that target group concerns are







landed. By 1961 the landless had formed numerous associations, participated in land invasions and

again, the organisational and political power of landed interests diluted the success of landless efforts.

Throughout the 1980s, the Instituto Nacional de Colonização e Reforma Agrária (INCRA) was charged with expropriating and redistributing unproductive properties. During this period, President Sarney enacted the Primeiro Plano Nacional de Reforma Agrária (PNRA), which aimed to resettle seven million rural workers over a 15 year period (Lapp 2004, 134). However, opposition groups representing landed interests, such as the Rural Democratic Union (UDR), hindered full implementation through armed resistance, parliamentary lobbying and media

and negotiated prices with landowners. After negotiated prices were approved by state bodies, the government issued loan-grants of up to US\$11,000 per household for land purchase and investment (de Janvry et. al 2001, 292). The loans were to be repaid at the government's long term interest rate within 10 years following a 3 year grace period. The remaining portion of the government loan became a grant for on-farm infrastructure (irrigation and roads) and/or social facilities (housing, schools, healthcare centres) (de Janvry et. al, 2001). Households also received a start-up grant of US\$4,400 for resettlement purposes (World Bank 2003, 5). Finally, land titles were transferred



## Chapter 5: Beneficiary Assessment of *Cédula da Terra*

This chapter assesses whether *Cédula da Terra* addressed the interests of Brazil's landless population. It concludes that the World Bank failed to acknowle

elimination of macroeconomic distortions and guarantee of full payment will not adequately compensate the landed for the loss of these non-economic benefits of ownership (McMichael, 2008). Further, the political power wielded by landowners has historically facilitated the group's exploitation of the rural poor, promotion of beneficial policies and hindrance of economically and politically threatening reform efforts. For example, during the military regime, by promoting agricultural modernisation, the landed were able to secure preferential tax arrangements and credit subsidies, while simultaneously driving the rural poor off the land (Medeiros, 2006). In fact, according to the *sem-terra*, the very implementation of CT symbolises an elite victory. The landless argue that a MLAR approach legitimises the rural structures from which exploitation and marginalisation arise, and reinforces the power of the landed within that structure (Wolford, 2007).

As a result of diverging concepts of land and sources of inequality, the World Bank and landless differ in their conceptualisation of land reform. According to Bank documents, principle reform goals are the alleviation of poverty and promotion

Additionally, state intervention will likely be necessary to overcome such constraints. Since potential land redistribution beneficiaries commonly adhere to the latter belief, their faith in the market approach is weak.

The landless oppose market-led redistribution partly because they support greater state involvement in the reform process (Stedile, 2002; Stronzake, 2005; Mello, 2009). The MST argues that since Brazil's constitution legalises the expropriation of unproductive lands, it is the government's constitutional duty to redistribute land and provide settlements with technical assistance, public services and credit (Mello, 2009). CONTAG contends that CT encourages the abdication of this responsibility while simultaneously ceding power over redistribution to the market, which often reinforces existing inequalities (Branford and Rocha, 2002). Ultimately, it is argued that by advocating a market-based approach, the World Bank and Brazilian government legitimate the prevailing property rights regime, reinforce the power and interests of landed elites, and thus undermine the social justice aspirations of landless reform advocates (MST, 2009a; Wolford, 2007, Musembi, 2008).

Ultimately, the landless oppose MLAR ideologically because it depoliticises land issues. The *sem-terra* believe that in order to overcome social and political inequalities, central government coercion is necessary (Lahiff, 2008). Since a market-based approach principally concerns itself with the transfer of land, it also undermines the comprehensive reform package proposed by the landless. The rural poor view the delivery of land, infrastructure, healthcare, education and technical assistance as the state's obligation and as a source of socio-political empowerment (Stedile, 2002). Within a MLAR framework, the delivery of such services is also ce



first term, only 14,100 families were settled through CT. Between 1997 and 2001, 886 properties were expropriated in CT states while MLAR only created 551 settlements (Table 1). By 2007, after years of national implementation, Lahiff et. al (2008) estimate that over ten times as many families benefited from state-led redistribution as from market-led reforms (Lahiff et. al 2008, 9). Therefore, while Brazil's land concentration Gini index fell by 0.05 between 1998 and 2000, concentration in *Cédula da Terra* states fell by less than Brazil's average or that of the northeast region<sup>7</sup> (Table 2).

Furthermore, MLAR may have contributed to increased land concentration by ignoring the social justice concerns of the landless and granting control of the redistributive process to landowners. By ensuring full payment for land and leaving information asymmetries unresolved, the market-led model incentivized landowners to sell undesirable land and attain funds for the purchase of larger and better territories, thus perpetuating high land concentration (Mello, 2009). Overall, market-led projects have been disappointingly slow in addressing Brazil's inequalities.

Table 1: MLAR and INCRA Comparison

Region	Properties	Area Redistributed (ha)	Number of families	Land prices (US\$ <sup>†</sup> /ha)
BR	2,802	7,071,471	215,082	413
INCRA: <i>Cédula da Terra</i> States	886	1,953,667	102,057	147*
MLAR: <i>Cédula da Terra</i> States	551	370,631	14,102	148

Source: Silveira et. al, 2008 & Author's calculations

<sup>†</sup> Calculated at average 1998 exchange rate (R\$ = US\$1)

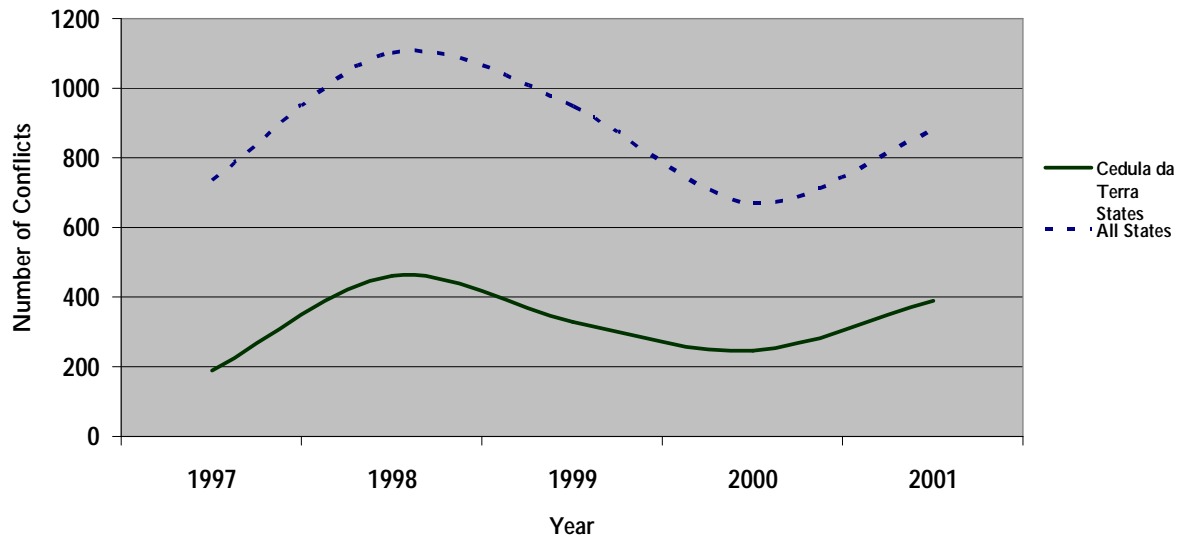
Table 2: Land Concentration over Time

Region/Year	1978-1992	1992-1998	1998-2000
Brazil			

Finally, according to the Bank and Brazilian government Cédula da Terra would reduce conflict surrounding redistribution. However, only landowner-government conflicts were affected. Landowners have historically advocated full payment for land, and have engaged the government in protracted legal battles regarding expropriation. The market-approach reduced landowner-government conflicts because the landed not only received full payment, but also gained control over the selection and sale of properties (Pelvin, 1999).

Conflicts involving the *sem-terra* persisted. Both occupations and land-related conflicts rose following CT implementation in 1997, signalling landless dissatisfaction with the programme. Figure 1 shows the increased quantity of land occupations following project implementation and the slower rate of decline in occupations among Cédula states in subsequent years. Further, in the states targeted by Cédula da Terra between 1997 and 2001 conflicts over land initially increased (Figure 2). The MST also continued to pressure the government for reforms through symbolic marches to Brasília, including the "March for Land Reform, Jobs and Just

Figure 2: Land Related Conflicts



Source: CPT, 2009

government retrenchment from the reform process (Medeiros, 2008). While the Bank rejected the Forum's requests, the landless were justified in their concerns regarding project effectiveness.

First, Borras (2003) finds that the beneficiary self-selection process was manipulated by landowners, local government officials and church personnel. This resulted in beneficiary associations characterised by closer ties with landowners, stronger political connections and greater knowledge of the local land market (Schwartzman, 1999). It appears that local socio-political relations affected beneficiary selection and hindered the participatio

agreements. The elimination of macroeconomic distortions was thus insufficient to lower prices and create more transparent and liquid land markets.

Similarly, the bargaining power of negotiating agents influenced the quality of land redistributed. The power of landowners under *Cédula da Terra* over the selection and negotiation process ensured that land sales would primarily reflect owner interests. The project allowed “landowners to dump less desirable plots in return for immediate cash, protecting their prime holdings – idle or not – from disappropriation” (Pelvin, 1999). The result was the redistribution of insufficient and marginal lands. According to some estimates, families on average received 14 hectares through CT, which is below the size necessary for subsistence (Medeiros 2008, 96). Additionally, many settlements lacked productive capacity because they were distant from markets, and lacked road access and/or irrigation systems (Wright and Wolford, 2003). Notably, both beneficiaries and landowners contributed to the redistribution of unproductive land. Beneficiaries possessed limited information regarding land quality, had an incentive to choose cheap land in order to maximise the grant portion of loans and had limited negotiating experience (Medeiros, 2008). Landowners on the other hand, controlled information regarding land quality and price, had greater experience in negotiation, and had no individual interest in dispensing high quality land.

Finally, by failing to acknowledge landless advocates’ demands for increased government intervention, *Cédula da Terra* undermined settlement sustainability. In fact, one government official estimated that only 18 percent of settlements would survive (Branford and Rocha, 2002). The high cost of land contributed to low funds available for productive investments and necessitated access to additional credit. However, rural areas remained under-serviced by the banking sector and the government failed to provide additional funding (Sparovek and Maule, 2007).

Further, the low quality of land coupled with beneficiaries’ limited management experience increased demand for government technical assistance. Because beneficiaries were required to pay for extension services, only 39 percent of CT beneficiaries were able to access government services (Veiga, 2003, 96; Buainain et. al, 2002). Reduced and insufficient access to credit and assistance services lowered the technological usage in settlements and reduced the income gains among *Cédula* beneficiaries (Buainain et. al, 2002). In fact, studies of later MLAR programmes found that 40 percent of beneficiaries had zero or negative income once living expenses were deducted from

agricultural income (Ondetti, 2006). As a result, t

## Chapter 6: Concluding Remarks

By evaluating Brazil's Cédula da Terra project using a modified beneficiary assessment framework, this paper has demonstrated how the World Bank's market-led approach to land reform overlooked the socio-political concerns of beneficiaries in the project design phase, and how the persistence of these unaddressed factors negatively affected project implementation and outcomes. This paper argues that a beneficiary approach is warranted because traditional quantitative evaluations are ill-



For the landless, land reform involves more than the transfer of land; it involves the transformation of deeply embedded economic, political and social structures, the correcting of historical injustices against rural workers and the empowerment of the poor (Stedile, 2008). According to the *sem-terra*, land reform should involve significant government intervention in redistribution and service delivery, punishment of large landowners through expropriation and political and social integration of the rural poor (Mello, 2009).

These political and social goals were ignored in the World Bank's *Cédula da Terra*. The landless perceived the programme as fundamentally opposed to their interests. Specifically, the depoliticisation of land reform reduced government accountability for the persistence of inequalities and moved redistribution from the political domain into the market domain, which is heavily influenced by landed interests (Mello, 2009). According to the *sem-terra*, CT reflected the interests of

manipulation of beneficiary associations; the inflation of land prices beyond properties' productive value; the sale of unproductive lands; and the reduced sustainability of settlements due to

## Bibliography

---

- Akram-Lodhi, A Haroon, "Land, Markets and Neoliberal Enclosure: an Agrarian Political Economy Perspective." from Edward Lahiff, Staurino Borrás, Cristóbal Kay eds., *Market-led Agrarian Reform: Critical Perspectives on Neoliberal Land Policies and the Rural Poor* (Routledge, London 2008), 20-39.
- Alston, Lee, Gary Libecap and Bernardo Mueller. *Titles, Conflicts and Land Use* (University of Michigan Press, Ann Arbor: 1999)
- Berry, Albert. "Land Reform and the Adequacy of World Food Production." from John D. Montgomery ed. *International Dimension of Land Reform* (Westview Press, Boulder: 1984).
- Besley, T. and Burgess, R.. "Land Reform, Poverty Reduction and Growth: Evidence from India." *Quarterly Journal of Economics*, Vol. 115 (2) (2000), 389-430.
- Binswanger, Hans, Klaus Deininger and Gershon Feder. "Power Distortions, Revolt and Reform in Agricultural Land Relations." *World Bank Policy Research Working Papers* 1164, 1993.
- Binswanger, Hans and Klaus Deininger. "Explaining Agricultural and Agrarian Policies in Developing Countries." *Journal of Economic Literature* (Volume 35, 1997), 1958-2005.
- Binswanger, Hans P and Klaus Deininger. "The Evolution of the World Bank's Land Policy: Principles, Experience and Future Challenges." *The World Bank Research Observer* (Volume 14 Number 2, 1999), 247-276.
- Borrás, Saturnino. "Questioning Market-Led Agrarian Reform: Experiences from Brazil, Colombia and South Africa." *Journal of Agrarian Change* , (Volume 3, 2003), 367-394.
- Borrás, Saturnino M., Cristobal Kay and Akram-Lodhi, Haroon A. "Agrarian Reform and Rural Development: Historical Overview and Current Issues." from Borrás Jnr, Saturnino M., Kay, Cristobal., and Akram-Lodhi, Haroon A. eds., *Land, Poverty and Livelihoods in an Era of Globalization* (Routledge: London 2006), 1- 40.
- Branford, Sue and Jan Rocha. *Cutting the Wire: The Story of the Landless Movement in Brazil*. (Latin American Bureau, London: 2002).
- Buainain, Antônio, José Maria Silveira, Marcelo Marques de Magalhães, Rinaldo Artes and Hildo Meirelles Souza da Filho. *Estudo de Avaliação de Impactos do Programa Cédula da Terra 2001*. (Ministério do Desenvolvimento Agrário, 2002).
- Caldeira, Rute. "'My Land, Your Social Transformation': Conflicts within the Landless People Movement (MST), Rio de Janeiro, Brazil." *Journal of Rural Studies* (Volume 24, 2008), 150-160.
- Cehelsky, Marta. *Land Reform in Brazil: the Management of Social Change*. (Westview Press, Boulder: 1979).

Childress, Malcom. "Brazil Land-Based Poverty Alleviation Project." **Agricultural and Rural Development Notes: Land Policy and Administration** (Issue 31, 2008), 1-4.

CPT, 2009. **Conflitos por Terra and Violência contra a pessoa 1997, 1998, 1999, 2000, 2001**. available at [<http://www.cptnac.com.br/?system=news&eid=6>]; [accessed on 24 July 2009].

Deininger, Klaus. "Negotiated Land reform as One Way of Land Access: Initial Experiences from Columbia, Brazil and South Africa." from de Janvry et al, eds, **Access to Land, Rural Poverty and Public Action** (Oxford University Press: US 2001), 315-348.

Deininger, Klaus. **Land Policies for Growth and Poverty Reduction** (Oxford University Press, Oxford: 2003).

Lahiff, Edward, Saturnino Borrás and Cristóbal Kay. "Market-led Agrarian Reform: policies, performance and prospects," from Edward Lahiff, Saturnino Borrás, Cristóbal Kay eds., *Market-led Agrarian Reform: Critical Perspectives on Neoliberal Land Policies and the Rural Poor* (Routledge, London 2008), 1-20.

Lapp, Nancy. *Landing Votes: Representation and Land Reform in Latin America*. (Palgrave MacMillan, NY: 2004).

Lin, J. "Rural Reforms and Agricultural Growth in China." *American Economic Review*, (Volume 82(1), 1992), 34-51.

Musembi, Celestine Nyamu. "De Soto and Land Relations in Rural Africa: Breathing Life into

Shaban, R. A. "Testing between competing models of sharecropping." *The Journal of Political Economy*, (Volume 95 Issue 5, 1987), 893-920.

Silveira, José Maria da, Antônio Buainain, Henrique Neder, Daniela Pires, Marcelo Magalhães.  
"Alternative Approaches of Land Tenure Restructuring in Brazil: Market-Assisted

Woods, Michael. "Social Movements and Rural Politics." *Journal of Rural Studies* (Volume 24, 2008), 129-137.

Wright, Angus and Wendy Wolford. *To Inherit the Earth: The Landless Movement and the Struggle for New Brazil*. (Food First, Oakland: 2003).

World Bank, "Beneficiary Assessment." *World Bank Participation Sourcebook* (The World Bank, 1996).

World Bank. "The Inspection Panel: Report and Recommendation on Request for Inspection – Brazil Land Reform and Poverty Alleviation Pilot Project." (The World Bank, 1999).

World Bank. *Implementation Completion Report on Loan to the Federative Republic of Brazil for a Land Reform and Poverty Alleviation Pilot Project* (World Bank, 2003).

World Bank. [World Development Report: Agriculture and Development](#). (2008).