

## **AGRARIAN REFORM AND POVERTY REDUCTION IN THE PHILIPPINES**

Dr. Arsenio M. Balisacan

### **EXECUTIVE SUMMARY**

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

The first part of the paper discusses the Philippine's rural poverty and rural insurgency problems which often have been linked to access to land and tenure relations. Poverty incidence is relatively high among landless agricultural workers and farmers cultivating small plots of land. The limited growth of productive employment opportunities outside of agriculture and the country's relatively high population growth may have been equally important determinants of rural poverty. Nonetheless, it remains true that institutional and policy changes concerning access to land resources have an important bearing on poverty reduction. Moreover, these changes demonstrate the government's resolve to address the issue of income and asset inequality. In fact, the various Government administrations since the Second World War have used land reform, albeit in various forms and intensity, as a key element of their poverty reduction strategies, as well as a tool to address social unrest in the rural areas.

The second part of the paper briefly reviews the literature on the link between land inequality, on the one hand, and economic growth and poverty, on the other. The paper then describes the Philippine efforts in improving agrarian structure (land distribution and tenure relations) during the postwar period, but with focus on the Comprehensive Agrarian Reform Program (CARP), which has been the landmark agrarian initiative since the late 1980s.

The paper distills the evidence on the impact of the agrarian reform programs in the Philippines, as well as the lessons learned from them, as seen from the lens of international experience. A synthesis of the results from recent assessments on the impact of CARP at the micro and macro levels is likewise presented in the paper.

Lessons drawn by the author as viewed from the lens of the broader historical experiences of developing countries are as follows:

1. The speed and political credibility of program implementation are essential to the success of a national land reform program.
2. Land reform programs constraining the scope of tenure choice tend to defeat the objective of promoting efficient resource allocation in rural areas. Because they tend to constrain upward social mobility, they also hurt the poorest of the rural poor—the landless farm workers—whose poverty frequently serves as justification for land reform legislation.
3. The technical capacity and institutional discipline of bureaucracies tasked to implement land reform programs should not be overlooked in the program design. A relatively well-disciplined bureaucracy, together with the availability of an accurate set of data on landownership and tenure relations, should be in place if land reform is to be a success.
4. The political acceptability and legitimacy of a redistribution program have to be ensured.
5. The respective roles of the private and public sectors have to be clearly defined. With their roles clearly defined, nongovernment organizations are effective conduits for the delivery of essential services to program beneficiaries. The Philippine CARP owes its success, albeit limited, partly from the active engagement of civil society groups in implementing the program.
6. Successful programs tend to have simple, transparent, and uniformly enforceable rules of participation. The CARP design fails this test. Deliberately interventionist and discretionary measures are inferior to those providing mechanisms for inducing institutional and organizational change.
3. Centralized decision-making and mistrust of market forces to achieve land redistribution objectives slow down land acquisition and distribution.
4. In a land reform regime that admits compensation of land owners at “fair market value” (as in the Philippine CARP), it is necessary to dismantle agricultural pricing subsidies and investment policy distortions that drive land prices above the capitalized value of farm profits, before any land redistribution program is introduced.
5. Land reform is not a panacea for poverty reduction. In countries with highly unequal land distribution and widespread poverty, it should be

seen as only one element of a comprehensive strategy for economic and social development.

Finally, the paper concludes that high inequality in land distribution is bad for both equity and overall economic growth and stresses that sustained reduction in rural poverty demands goes beyond agricultural land reforms to include putting in place institutions and an economy-wide policy environment that nurture growth in employment and human development opportunities.