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## LAND REFORM: NEW SEEDS ON OLD GROUND?

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*Following initial enthusiasm in the post-war period, land reform fell out of favour with donors from the early 1970s. Nonetheless, sporadic efforts to redistribute land continued: Ethiopia in 1975, Zimbabwe in 1980 and a renewed commitment to land reform in the Philippines in 1988. These reforms stemmed from shifts in the domestic balance of power between landowners and landless workers and peasants, which were quite independent of donor policies. In the 1990s, decollectivisation and privatisation in the former socialist economies have provided a new dimension to land reform; so too has majority rule in South Africa, where the racially-skewed ownership of land is under challenge and where market-based measures to achieve land redistribution in favour of blacks are being tried. In the Philippines non-market policies are being supported by donors, now that the Cold War is over. Whereas the geographical context and individual country strategies may be new, the range of land reform measures being adopted and the implementation problems encountered are not. This paper reviews recent experiences.*

### **What is land reform?**

Due to differences in land types, farming methods, the history of land acquisition, general social and economic conditions and political aims, the definition of land reform is not easy. Yet definition is important because some supposed land reform policies are not in fact intended to change the distribution of land ownership and rural power.

Land reform is generally accepted to mean: **the redistribution of property or rights in land for the benefit of the landless, tenants and farm labourers**. This is a narrow definition, reducing land reform to its simplest element (Warriner, 1969).

'Land reform' and 'agrarian reform' are often used interchangeably. Agrarian reform, a construct of the Cold War to counter 'communist' land reform, embraces improvements in both land tenure and agricultural organisation. Its policy prescriptions urged governments to go beyond redistribution: they should also support other rural development measures, such as the improvement of farm credit, cooperatives for farm-input supply and marketing, and extension services to facilitate the productive use of the land reallocated. Whilst conceptually sound, the danger with these wider prescriptions is that they may discourage governments from doing anything until they can do everything.

Thus, land reform pertains to the remodelling of tenure rights and the redistribution of land, in directions consistent with the political imperatives underlying the reform. Those favouring **revolutionary** change advocate a drastic, planned, public intervention to redistribute land. Yet attempts at drastic redistribution of private land, in the face of strong opposition from landed interests (and in some cases related budgetary impediments), may distract from more feasible **evolutionary** policies aimed at improving access and security of tenure for small farmers under alternative forms of individual and communal tenure, which do not involve expropriation and compensation.

### **Land reform measures**

There is wide variation in the objectives, circumstances and conduct of land reform (Box 1). Just how extensively the state should intervene has long been the subject of debate by welfare economists. Economic arguments favouring land redistribution focus on the diseconomies of large-scale enterprises and on the need to increase returns to land. However, decisions on whether to proceed with land reform are essentially political. When growing landlessness, chronic indebtedness, and eviction of tenants threaten stability, the state has often intervened to regulate ownership rights, sometimes with the tacit agreement of landowners seeking to prevent land invasions

#### **Box 1: Types of land reform intervention**

Four principal types of intervention by the state in the operation of the land market can be distinguished:

**Land tenure reform** designed to adjust or correct the reciprocal property rights between proprietors, in response to changing economic needs (e.g. the establishment of statutory committees or land boards to organise and supervise the use of common rights and other interests; the conversion of more informal tenancy into formal property rights; tenancy reform to adjust the terms of contract between landlord and tenant).

**External inducements** or 'market-based' incentives offered by government for social and economic reasons and leading to the restructuring of existing property rights or the creation of new ones, e.g. the distribution of public lands; state expenditure on land reclamation and subsequent allotment as private property; state sponsored credits channelled by a land bank through cooperatives; support to institutions to administer the necessary land acquisition and distribution mechanisms.

**External controls** or prohibitions imposed by law on property rights (i.e. non-market measures), for instance: nationalisation and collectivisation; restitution; redistribution policies involving expropriation of land (with or without compensation) on grounds of excessive size, under-utilisation, ownership by absentee landlords and/or foreigners. By contrast, gradual redistribution policies operate e.g. through death duties. Other external controls can act against redistribution, e.g. laws preventing land fragmentation below certain minima (see Box 3).

Finally, **confirmation of title** to verify and secure land titles to those who have already a demonstrable claim reduces doubt and contention and so sets the foundations for development.

### **Non-market vs. market-based land reform**

Economic reform programmes have generated increasing interest in so-called 'market-based' land reforms. However, in countries where tenants have had to compensate landowners at near-market prices, productivity gains have been modest. This is because the price of land includes a premium, over and above the capitalised value of agricultural profits, on account of the preferential access that land ownership provides to credit markets, via its collateral value (Binswanger and Deininger, 1993). Once a poor farmer is provided with credit to buy land at the market price, s/he cannot repay out of farm profits alone. Thus a free land market alone will not transfer land to smaller and poorer farmers, without grant financing in addition to, or instead of, credit. Given the budgetary constraints facing governments, settlement subsidies are often insufficient to place the rural poor on the first rung of the property-owning ladder. In these situations, laws designed to protect tenants (i.e. improved leasehold contract) can fall under the rubric of market-based land reform.

### **Approaches to land reform**

In this century, redistributive land reform has taken different forms and met with varying success in terms of coverage and impact on productivity and income. Even within the following typology some of these differences may be masked.

**'Land for the tiller' in Asia and the Middle East.** In the restructuring which followed World War II, a major objective of land reform was to break up feudal estates and prevent the advance of communist revolution. Reforms in East Asia have been comprehensive, creating a class of independent property-owning peasants and alleviating poverty and landlessness. However, the contexts have been highly specific, thereby limiting replicability (Hayami et al., 1990). Thus, in Japan, land reform was enforced by US occupation forces as a means of breaking the power of large landowners, pillars of the militaristic class. Resident landlords were entitled to retain only about one hectare. The reform in Korea was carried out under the threat of communist aggression from the north of the country. In Taiwan, land reform was imposed by the Nationalist Government exiled from mainland China and therefore alienated from indigenous landowners. Also important for success in Taiwan were accurate land tenure data and the non-indigenous bureaucracy that had accompanied Chiang Kai-shek.

In East Asia, land reform usually entailed the transfer of rights to tenants without breaking-up operational holdings. Reforms covering landlord tenancies in the Middle East (e.g. Iran, Egypt and Iraq) and India (e.g. Kerala State) followed a similar pattern. However, with the possible exception of Egypt under Nasser, they were less effective due to stiff opposition from influential landowners. Attempts to implement land-for-the-tiller reforms in the Philippines met with mixed results for the same reasons (Box 2).

## Box 2: The Philippines: the case for land reform and the 1988 law

Agrarian relations in the Philippines share characteristics with both Latin American and Asian countries. There are hacienda-type plantations and small subsistence-oriented peasant tenancies, with a variety of land tenure arrangements in between. Putzel (1992) estimates that some 72% of rural families were landless in the late 1980s. Relative to other countries in Asia, agricultural sector growth has been poor. Rice yields in 1991 were less than half those obtained in South Korea, Japan and China.

The main arguments for reform of plantations are the highly seasonal employment they offer and the limits imposed on local food production by over-specialisation (e.g. sugar, bananas, pineapples, etc), creating severe hardship when world prices fall and labour is laid off. Plantations are increasingly difficult to justify in the face of mounting land scarcity and rural unemployment. The most important category for reform is the landlord estate, from which tenants commonly can be evicted at will. The reform of tenancies transfers income to the tenant and creates incentives for investment. Land reform is high on the agenda of armed groups, adding urgency to the successful completion of land reform.

Prior to Marcos's 'Operation Land Transfer', 1972, and the Comprehensive Agrarian Reform Law (Republic Act 6657 of 1988) under Aquino, reforms were restricted to the upgrading or conversion of sharecropping to leasehold tenancies. While not providing for the complete land reform that many had advocated, RA6657 extended coverage to all agricultural lands, provided for participation of farmers and NGOs in policy formulation and implementation, and allocated funds for support services. RA6657 sets an individual ownership limit of 5 ha for agricultural land. The overall retention limit for a family can be 14 ha. Due to delays in implementation of RA6657, holdings less than 25 ha are unlikely to be touched before 1998 when the law expires. The Constitution requires that landowners receive just compensation. The valuation of lands under RA6657 is based on a formula containing 3 criteria of varying importance: productive value; the market value as declared in tax returns; and the value as indicated by comparable sales in the locality.

Up to April 1994, 1.5 million ha had been distributed, which represented 39% of the total 10-year target of 3.8 million ha. Well under half of the land distributed was private, demonstrating the resistance to the more controversial part of the programme. However, this component has recently risen to represent half of that distributed annually.

With the exception of the Philippines, almost no attempt has been made in East Asia to subdivide plantations for distribution to labourers. Plantations remained largely unchanged, either as private enterprises, often foreign-owned, or as state enterprises when confiscated from foreign firms (e.g. Indonesia, Sri Lanka). Although followed by collectivisation, land reform in mainland China initially took place as peasants mobilised against landlords between 1949 and 1950, and began to organise cooperatives. In the 1970s, households were assigned individual responsibility for crops and livestock and freedom to dispose of farm products, in excess of the fixed

quotas committed to state marketing organisations. In 1988, the constitution was amended to legalise use-rights and land transfers. Notwithstanding the justifiable criticisms of collectivisation, the Chinese land reforms generated rapid growth in output and in on- and off-farm employment, and eliminated the rural landlessness still widely evident elsewhere.

**Latin America: redistribution of estates.** Unlike Europe and Asia, where there has been a broad tradition of small-farm ownership, in Latin America the monopoly of land ownership stemmed from colonial rule, either from the subjection of the indigenous population, or the use of imported slaves on plantations. From 1910-1990, Latin American countries attempted an enormous variety of land reforms.

Redistributive reforms in Mexico, Bolivia and Chile focused on the transformation of semi-feudal estates (haciendas), based on bonded labour (corvée labour and labour tenants), into capitalist estates employing wage labour, land-owning family farms and free-peasant farms. Cuba collectivised all large plantations, a process which is now being relaxed in favour of cooperatives. Towards the end of this period agrarian reforms, often complemented by labour laws, were introduced. Some abolished share-cropping and share tenancies, pursuing a 'land-for-the-tiller' approach. As is often the case, landowners anticipated the new laws by evicting tenants and dismissing labour. To sceptics, these 'reforms' therefore merely served to modernise labour contracts, rather than redistribute land. On the other hand, detailed production data collected in Chile in the period 1965-70, on land reform settlements formed from expropriated land as well as on portions retained by landowners, showed significant increases in output per hectare.

**Africa: redistribution of white-owned land.** As in Latin America, land reform in African countries has been concerned with correcting the imbalance of agricultural land ownership by the minority white settler population: about 50% of the agricultural land in both Namibia and Zimbabwe, and over 80% in South Africa at the transfer of power to the majority. In Zimbabwe (Box 3), 15 years after the Lancaster House Agreement, and in South Africa (Box 4), where the situation is more complex, the restitution of 'land theft' remains a burning issue. However, if Kenya's experience is any guide, redistribution of white-owned lands can distract governments from resolving major problems of land rights in the former African reserves (Box 5). This appears also to be the case in Namibia. Proposed reforms in South Africa are, however, sensitive to this issue.

### Box 3: Zimbabwe: the non-market vs. quasi-market debate

At Independence in 1980 targets were established for the resettlement of 162,000 families on 9 million ha of land. Up to 1989, 3.3 million ha were redistributed to some 54,000 settler families, including 0.5 million ha of commercial sector land. Over 80% of the land had been acquired by 1983/84 on the 'willing-buyer-willing-seller' basis required by the Constitution. Resettlement slowed because government had difficulty meeting the high prices to continue acquiring land on this basis.

The 1992 Amendment to the Constitution and the 1992 Land Acquisition Act aimed, among other things, at strengthening government's hand in acquiring 5.0 million ha

of land from commercial farmers for resettlement. The Act called for a number of non-market solutions: e.g. land valuation procedures to replace the 'willing-buyer-willing-seller' provision in determining purchase price; limits on the number of farms owned, on farm size, on absentee landlords and on foreign ownership; and for 'designated' areas for land acquisition and resettlement.

The government's land policy was criticised by those who favoured greater reliance on quasi-land market mechanisms and recommended dispersed land acquisition for resettlement, as against block resettlement in designated areas. Limits on the number of farms that could be owned, on farm size and on land subdivision were also criticised on the basis that:

- Policies restricting farm size create rigidities that increase the cost of adapting to changing market conditions by making it more difficult to farm multiple parcels with different characteristics (lowland, upland) to hedge against risks.
- The notion of setting farm sizes to achieve minimum or maximum returns is based on assumptions about fixed price ratios and constant technology, neither of which are valid.
- Under-used land suitable for potential redistribution is spread over many farms. Each farm generally has a core area of land with other land that is less intensively used. Acquiring and redistributing the under-used pieces would have a positive impact on aggregate production and provide opportunities for resettlement and a mix of farm sizes.
- For the land market to work more effectively, owners must have greater flexibility to dispose of less intensively-used portions of farms. Laws prohibiting subdivision prevent the price of under-used land from falling toward its low-use value, and prevent the realisation of 'low' prices through the land market.

The final outcome of the debate is not yet clear, but government is currently more conciliatory towards commercial farmers following a series of land scams, and given the country's dependence on them for 35-40% of export earnings.

*Source:* Roth (1994)

#### **Box 4: South Africa: restitution, tenurereform and market-based redistribution**

Past apartheid policies have resulted in an extremely racially-skewed and inequitable distribution of land, overcrowding and poverty. Until 1991, 80% of the population was prohibited from owning or leasing land in over 80% of the country. About 3.5 million black South Africans in urban and rural areas lost their land and rights in property through forced removals.

Constraints facing current land reform measures include: limited areas of arable land; limited public funds for land purchase; limited skills for the implementation of land

reform; and the difficulty of unscrambling the so-called homelands: areas of land struggle, densely populated, lacking in services, and often agriculturally marginal.

Government's response to land reform is three-pronged:

- **Land restitution:** cases of forced removals are being dealt with by a Land Claims Court and Commission established under the Restitution of Land Rights Act, 1994, which deals with individual or group land claims which originate since 1913. All claims are against the State which is obliged to compensate current landholders.

- **Land tenure reform** is being addressed through a review of present land policy, administration and legislation to improve the security of tenants and to accommodate more diverse forms of land tenure, including types of communal tenure.

- **Land redistribution:** in the short-term, redistribution of land will take place in pilot districts in all 9 new provinces, mainly through the Land Reform Pilot Programme, providing finance and credit for land acquisition and basic needs, as well as support to people to plan, negotiate and implement settlement projects.

**Progress achieved.** Eighteen months after majority rule, most of the required legislation was in place and the land reform policies were defined, but little land had been transferred. The unpicking of the apartheid map will take much longer than originally perceived.

### Box 5: Kenya: redistribution of white farms and tenure reform in the reserves

**Land redistribution:** In the first 10 to 15 years after Kenya's independence in 1963, planners were occupied with the settlement of Africans on high-potential land alienated from Africans in the early years of the century. This programme covered 1.25 million acres and absorbed a large proportion of the staff and money available for agricultural development. Of particular importance was the 'one million acre scheme', involving 34,000 families in 135 new settlements on land formerly occupied by white settlers. Additional finance for this programme came from the UK and other donors.

**Land reform in the reserves:** In the meantime, the 1954 Swynnerton Plan was being implemented in the 'tribal areas' or 'reserves', totalling 33 million acres, where the African population was largely engaged in subsistence agriculture. The plan, among other things, was expected to create a stable class of relatively wealthy farmers on private land through a process of land adjudication, consolidation and registration. Beginning in Central Province, primarily as a response to insurrection, these measures were applied to all the tribal agricultural areas of Kenya. They were meant to facilitate the growing of cash-crops and the use of new farming techniques. It has been argued that one effect of these reforms was the transformation of land into a commodity that could be owned initially by clans, then families and eventually by individuals and could be sold without reference to traditional norms. The new land tenure system,

popularly known as 'English tenure' gave rise to a class of landless people, especially women. Land reform in Kenya, as it favoured men against women, also downplayed the status and role of women as the actual utilisers of land. Further, it was designed for a sedentary mode of agriculture and served to marginalise pastoral communities which lost access to key land resources during droughts (Nthia Njeru, 1991).

### Box 6: Restoring the land market in the former Soviet Union and Eastern Europe

Because land markets did not previously exist, the land brokerage/agency function is still poorly developed except in Poland, Hungary and the Czech Republic, and reliable information on market transactions is difficult to secure. As yet there is rarely a safe and simple system of land registration.

Each country has a distinct socialist legacy and this has determined the type of land reform attempted and the point from which development of the agricultural land market has proceeded. In 1989 collectivisation in the USSR had been complete for over 50 years, but remained incomplete in Romania where hill farmers could still bequeath their land to family members. In Poland only 23% of the agricultural land was in the socialised sector. Where individual rights to land have been long withdrawn, there is much less interest in private ownership and land is likely to be reallocated on the basis of current occupancy and employment.

In the less recently collectivised areas, there is weaker demand for land restitution. In Russia, for example, current occupancy and length of service with the collective are the bases for decisions on land distribution. In the Ukraine, salaried employees of collectives have become shareholders of privatised cooperative farms. This has been less disruptive than restitution, but has not led to the restructuring of over-sized farms. Individual households which retained the right to cultivate garden plots around houses or dachas, or to garden allotments out of town, are eligible for ownership of these. In Kyrgyzstan, which had followed the Ukrainian route until 1994, 49-year transferable leases (up to a maximum of 30 ha per family, but averaging about 2.4 ha) were given, subject to good husbandry by the title holder.

In Estonia, former owners and heirs can choose between restitution, substitution or compensation. Land fragmentation has been severe in Romania, where all land in the former collective farms has been reallocated to the former owners and heirs, with some provision to workers without land. Associations have been set up to operate land in larger units, and pool expertise and resources. As these cannot legally own the land, the arrangement is expected to develop into one of leasing by many small land-shareholders, due to the lack of alternative investment opportunities (Leatherdale, 1995).

**De-collectivisation in the former Soviet Union and Eastern Europe.** Although followed by collectivisation, land reform in Russia initially took place as a result of peasant mobilisation against landlords. It is difficult to argue that current developments fall into our definition of land reform. For example, the decision to restore the rights of former owners has been universal in the Czech Republic,

Hungary, Romania and Bulgaria. These may, or may not, be 'landless, tenants and farm labourers'. In the former communist bloc, land reform has a mixture of objectives: economic efficiency and the need to move to a market economy; to raise revenue from private property; the restitution of rights to former owners that were expropriated by the state; and social justice for farm workers. Nevertheless, the problems of land redistribution in former communist states have much in common with classical land reform programmes, even to the extent that they are opposed by the former land-holding elites in the state bureaucracy (see Box 6). A major advantage that they enjoy is that the costs of land acquisition for the state are minimal.

### **Recurring issues**

An essential, but not sufficient, ingredient for land reform is genuine political commitment of the country's leadership and the administrative capacity to see the process through. Many supposed land reforms have faltered because they were opportunistically conceived in order to mobilise support at a critical time in the life of a government (or an aspiring government). Because of the difficulty of sustaining support for redistributive reform, a 'short-sharp-shock' treatment may be necessary for success. This assumes that the treatment has been carefully prescribed, is simple to administer, adequately communicated, reasonably free of loopholes, that the bureaucracy is adequately prepared, that the per-household costs of land acquisition and settlement are financially feasible and replicable, and that progress with land transfer can be monitored.

Inadequate administrative capacity for land reform is a recurring problem. A large, widely-deployed cadre of well-trained field staff is essential to inform people of their entitlements and to facilitate the legal processes of land acquisition and distribution. The numbers of staff involved vary with the type of reform. In the Philippines, a tripartite partnership between government, NGOs and people's organisations has provided many of the field staff. Even quasi-market measures have high transaction costs. A related issue is that of adequate land valuation, survey and public land tenure records. Where these do not exist, or have been destroyed, landowners can easily frustrate the process of land acquisition. Finally, there is the issue of agricultural services to sustain the new farmers. For the majority of countries, land reform is an extremely difficult process to carry through, requiring both centralised political power and a well-developed grassroots organisation.

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