

Making negotiated land reform work

NEGOTIATED land reform is a complicated way of doing what public charges on the rent of land would do simply. However, in the absence of the latter, land reform can provide equitable and efficient benefits, writes *GEOFFREY LEE*.

Klaus Deininger, an economist at the World Bank,* demonstrates that there is a robustly negative relationship between farm size and productivity due to the supervision costs associated with employing hired labour. This implies that redistribution of land from wage-operated large farms to family-operated smaller ones can increase productivity. Despite the apparent potential, actual experience with land reform has in many instances fallen short of expectations.

Deininger describes a new type of land reform that relies on voluntary land transfers based on negotiation between buyers and sellers, where the government's role is restricted to establishing the necessary framework and making available a land purchase grant to eligible beneficiaries. In the past the poor have failed to get out of poverty not because they are inherently less productive or lack the necessary skills, but because they do not have access to credit and never get the opportunity to fully develop their abilities.

In landlord estates where tenants already cultivate the land and all that is required is a reassignment of property rights, land reform is relatively straightforward and produces significant productivity increases. The main reason is that the organisation of production remains the same and the beneficiaries have the skills and implements of cultivation already at hand. This "stroke of a pen" reform has

happened in landlord estates in Bolivia, large areas of China, Eastern India, Ethiopia, Iran, Japan, Korea and Taiwan.

By contrast land reform, where tenants have small house-plots for subsistence but work the majority of the time on the landlord's home farm, has proved difficult. Often large landowners responded to the threat of land reform with large-scale evictions long before the governments could take action. They then turned to extensive livestock production or highly mechanized self-cultivation.

Deininger lists three specific problems.

First, the transfer from large to small farmers requires a change in the pattern of production, a different infrastructure, and the provision of additional resource and technical assistance.

Second, land reform beneficiaries, even if they are workers of the former farm, are rarely accustomed to making independent entrepreneurial decisions. Programmes that are limited to the mere transfer of land, without training and technical assistance, have often resulted in a decrease in productivity.

Third, providing beneficiaries with access to land without access to markets for output and credit may fail to make them any better off. This will be the case if landlords had provided their labour tenants with inputs, credit and market outlets before the reform.

In Columbia, land reform has been a long standing concern to correct the extremely inequitable distribution of land, to increase productivity, and to reduce widespread rural violence. Maldistribution of rural land, while dating back to the

* Klaus Deininger, "Making negotiated land reform work: Initial experience from Colombia, Brazil and South Africa", Washington DC.

encomiendas given out following the Spanish conquest, has been reinforced in recent years by other factors. These include:

- Tax incentives for agriculture which allowed the rich to acquire land in order to offset other taxes;
- Legal impediments to the smooth functioning of land rental and sales markets;
- Credit and interest rate subsidies plus incentives for the livestock sector to use a minimal labour force; and
- the use of land to launder money acquired by the drug lords.

However, even though considerable amounts of money were spent on land reform, most of it was spent on a large bureaucracy, and 35 years of operations have produced little visible effect on the ground. A new programme to distribute one million hectares within four years (from 1994) again has not produced great results. The Colombian Land Reform Law provided grants for the purchase of land but not for farming equipment. This created incentives for collusion between sellers and buyers to overstate land prices, divide the surplus between them, and let the government foot the bill.

Deiningger goes on to describe pilot schemes that may overcome these problems. The key elements are that the local government should in effect own the programme, should have a "hands on" approach to training of beneficiaries and should insist on a transparent and public monitoring of the project.

South Africa also has a highly inequable distribution of land. In 1993 the average amount held per person was 1.3 hectares by blacks compared to 1,570 hectares by

whites. The government elected in 1994 decided to make comprehensive changes in land policies. One of these was to compensate individuals who had been victims of earlier forced removals. But by the end of 1998 fewer than 10 (out of about 10,000 cases) had been resolved. The inability of the vast majority of the population to furnish written evidence proved the stumbling block.

Redistribution was the main component of reform. A settlement/land acquisition grant was made available to rural blacks who were dispossessed during apartheid. The choice of negotiated land reform rather than expropriation (which, as in Columbia, can still be used as an instrument of last resort) was based on the need to maintain public confidence in the land market, and more generally to affirm the government's respect for individual property rights. The number of potential land reform beneficiaries is considerable. Estimates indicate there are about 200,000 labour tenants and one million farm workers, and as many as 7-8 million blacks in the reserves (not all of whom would, of course, be interested in land reform).

Deiningger concludes that the final judgment on whether or not negotiated land reform can work will have to await further data. Clearly, it can only succeed if the market for land sales and rentals is transparent and fluid, and that financial help is provided along with the transfer of land.

If negotiated land reform can help beneficiaries to improve their human capital endowments, change them from passive objects into subjects of the process, and convert a one-time subsidy into permanent improvement of their livelihood, it will have more than achieved its purpose.