

## Comprehensive Agrarian Reform Program (CARP): Quo Vadis?<sup>1</sup>

### Introduction

1. At the very outset, let me congratulate Professor Raul V. Fabella for a well-researched and written article on one of the most controversial reform issues in the country today: the Comprehensive Agrarian Reform Program, or CARP. Given its populist appeal, it is not easy to take an anti-CARP stance because of (a) the expected bashing one will get from its advocates, being unfairly accused of siding with the landlord class with practically all the negative attributes attached by the Left to this class category, and (b) the likely quiet sanction that will be imposed by CARP-related agencies and their funding partners to intellectuals who dare to speak out against the redistributive measure<sup>2</sup> which they treat as a panacea to all the problems in the countryside.

### Summary

2. *Empirical evidence* - Professor Fabella argues that despite massive redistribution of land reaching around 5 million hectares (by end of 2014) and benefitting an estimated 2.6 million small farmers<sup>3</sup>, CARP has registered little economic welfare gains for its beneficiaries and the country. His conclusion was arrived at after examining the results of three major studies evaluating the impacts of CARP, namely: the 2007 Asia Pacific Policy Center study; the 2006 Institute of Agrarian and Rural Development Studies' (IARDS - UPLB) research using panel data; and the 2002 study of Dr. Celia Reyes from PIDS. The first study revealed that ownership of land per se will not necessarily lead to higher per capita income, and that the incremental gains of implementing the reform measure in ARC applying cost-benefit analysis (CBA) is very low.

3. The IARDS (2006) study found out that: (a) ARBs in ARCs own an average of 2 hectares; (b) the average income of ARBs in ARCs is a measly sum of P10,387 versus P9,356 for non-ARBs in ARCs holding an average land size of 1.4 has; and (c) that though ARBs in ARCs enjoyed a 10 percent higher income compared to non-ARBs in ARCs, they also have higher landholdings by 3 percent.

4. Finally, while Reyes' study revealed more positive results for CARP (i.e., ARBs have higher per capita income than non ARBs; ARBs as a group have lower poverty incidence; being an ARB significantly reduces possibility of falling to poverty; and poverty incidence declined from 1990-2000 and rose among non ARBs), Fabella challenged her findings by arguing that there was a flaw in terms of sample site selection as most of the ARB respondents were in the more progressive rural areas of the country (i.e., Central Luzon, Southern Tagalog and Cagayan Valley). Fabella's point is validated by recent literature (Reardon, et.al. 2013; refer also to WDR 2009 which posited the same thesis but on a broader perspective) which showed that the most dynamic agricultural systems are found near the urban centers of

---

<sup>1</sup>Fermin D. Adriano, Ph.D. The author wishes to acknowledge the intellectual contributions of Lourdes S. Adriano to this review paper. **Views and analyses contained in this paper are of the author and do not in any way represent the official position of the institution where he is currently engaged.**

<sup>2</sup>Several times in the past, the author was "blacklisted" by CARP-related agencies and their funding partners because of his unsympathetic views on CARP extension. This shows the importance of internally-funded researches if the academe is to maintain its stance as an independent thinker.

<sup>3</sup>Compared to Japan's highly successful land reform program which covered only 1.76 million hectares, and Taiwan's 500,000 hectares.

a country because of their huge demand for food and agricultural products which in turn, serves as an incentive to modernize agricultural production to obtain higher incomes and profits.

5. ***Fabella's conclusion*** - From the analysis of the above literature, Fabella concluded that: (a) there is no significant per capita income differences between ARBs and non-ARBs, and between ARBs in ARCs and ARBs outside of ARCs; (b) there is no significant productivity improvements among ARBs; (c) government expenditures on CARP would have had better income results if these were directly transferred as income (a la CCT) to the poor; (d) CARP created a new class of landed poor and hierarchies of below the poverty threshold; (e) CARP is an inferior form of ownership because it decoupled land as an asset to the credit and insurance markets; (f) it suppressed rural industrialization; and (g) it encouraged the rise of underground and informal economy (illegal rental/mortgaging markets, pawning of land/tenurial rights), rent seeking activities (land certificates, repayment schemes, land conversion, etc.), and promoted the breakdown of the rule of law (underground market). In short, the economic welfare effects of the redistributive measure is negative.

6. Given these disappointing results, Fabella stressed that the time has come for CARP to let go. Once this decision is taken and implemented, the tasks should shift to the following: (a) focus on improving farm efficiency and not only redistribution; (b) allow corporations registered with the Philippines Stock Exchange to own agricultural lands; (c) accelerate conversion of CLOAs to individual titles; and (d) shift poverty and empowerment programs for the small farmers to a more direct subsidy form like the CCT.

### **Observations and suggestions**

7. ***Metrics and what needs to be measured*** - Professor Fabella stressed that he confined his examination of the welfare impact of CARP mainly from an economic perspective, humble enough to admit that it has a political economy dimension (which he accepts to be equally important)<sup>4</sup>, which he feels he is not competent to handle and that "there are no good metrics to guide enlightened discussion in this dimension" (page 1). While the latter assertion is true, it does not necessarily follow that we do not have the analytical tools to conduct a good political economy analysis of the impact of CARP. The works of Duplo (2004), Lebonne and Chase (2008 and 2009), Naraya (2002), and others particularly academicians in the University of California (Davis) have shown that the metrics for measuring the political economy impact of a reform measure can be done in a highly scientific manner. In the Philippines, the problem is not the absence of sound analytical measures but the availability of funding for such types of work which carry considerable costs.

8. In a paper that I wrote for PIDS (Adriano 2007), I noted that the agrarian reform program in the Philippine has three main objectives: promoting efficiency (by raising productivity); promoting social justice or equity (a more equitable distribution of land and hence society); and a counter-insurgency tool (addressing allegedly the root cause of social unrest in the countryside which is the highly unequal land distribution - which in turn is the main mobilizing agenda of the local Communist movement and its

---

<sup>4</sup>It should be noted though that Fabella's analysis hovers implicitly in the political economy dimension when he elaborated on the: (a) creation of a new class of rural poor, and hierarchies of below the poverty threshold; (b) underground and informal land markets which are about emerging contractual arrangements, and the development of new "rural entrepreneurs" and agribusiness; and (c) protracted land reform implementation is a result of new vociferous interest groups who have advocated for the continued implementation of CARP because it is "incomplete" and "underprovided"

supporters). The first two are obviously in the domain of economics, which as pointed out by Professor Fabella and to which I agree, CARP was a failure. The last is in the realm of political economy but there has been no systematic attempt to measure the performance of CARP vis-a-vis this third objective.

9. Along this concern, it would be interesting to see whether in areas where ARBs and ARCs are concentrated, political leadership has veered away from the rule of political dynasty to a more open democratic system.<sup>5</sup> Or whether ARBs have supported the installation of political leaders who promote transparency, accountability and greater participation of the constituents in decision-making over government resources intended to improve the welfare of the ARBs and the poor in those communities. More interesting is the issue of determining whether CARP implementation in conflict-affected areas (as defined and identified by the AFP) has experienced reduction in insurgency-related violence. If there is correlation between the above variables, than we can safely conclude that it is extremely difficult (based on empirical evidences presented by these political economy studies) to find a justification for CARP extension. But if there is one, at least we can say that (in one of three objectives) in the realm of political economy, there is solid evidence to support CARP extension.

10. Ostensibly, the prolonged CARP implementation has led to the emergence of new classes and institutions that have vested interest in the reform's continued implementation. While the redistributive measure might not have convincingly empowered its beneficiaries, it has provided avenues for strengthening the bargaining position of a spectrum of NGOs and POs (people's organizations) championing CARP implementation extension; bureaucrats in national, regional and local government agencies involved in its implementation; and rent-seekers both from the public (lifestyle check should be conducted on MAROs and PAROs) and private sectors (e.g., Napoles scam involves a lot of fake NGOs engaged in assisting the small farmers and CARP beneficiaries). Thus, even if Professor Fabella wants to limit his argument within the domain of economics, the successful implementation of his recommendations will largely hinge on a good reading of the political economy interests of these vested interest groups and the adoption of measures that will counter their influence in the country's decision-making process.

11. ***Failure of ARCs/ARBs is also a reflection of our failed agricultural development strategy*** - The disappointing results of CARP cannot be divorced from the prevailing realities in our agricultural sector. ARBs/ARCs are mere subsets of the agricultural sector. The realities of the agricultural sector are necessarily reflected in the ARCs and among the ARBs. For instance, the fact that 2 out of 3 poor Filipinos reside in the rural areas partly explains widespread poverty among ARBs. Low agricultural productivity across crops is also exhibited in the low productivity levels of ARBs. Our dysfunctional research and extension system and the lackadaisical performance of bureaucrats in our agricultural-related agencies are demonstrated in the poor quality of research and extension support received by ARBs. Erroneous agricultural policies enunciated and implemented by our agricultural leaders also burden ARBs. For example, the obsession to attain 100 percent rice self-sufficiency (which is eating up more than 70% of DA's budget) at all cost has resulted in the neglect of other agricultural commodities, such as coconut where the poorest of the poor tillers can be found. Higher budget for agriculture (more than P70 billion pesos annually now) has not translated into glowing agricultural performance (agriculture growth

---

<sup>5</sup>An interesting research conducted along this line was the one undertaken by Lebonne (2011) wherein he attempted to measure whether the provision of CCT helps the incumbent political leader (belonging to a non-dynastic political family) at the municipal level in his/her re-election bid.

rate is 1.1%) in the same fashion that massive amounts spent to CARP have not abated the problem of poverty. In short, without tackling the problems that bedevil our agriculture sector, no amount of reforms in the implementation of CARP can dramatically change the fortune of its beneficiaries.

### **Quo Vadis?**

12. CARP is not a total failure as it registered remarkable success in one of its most important components: land acquisition and distribution (LAD).<sup>6</sup> By the end of 2014, it is estimated that around 5 million has of land will have been distributed, which is half of the cultivable lands in the country.<sup>7</sup> What has been its Achilles heel is its inability to raise farm productivity, and hence income (hopefully leading to welfare gains) of the small farmer-beneficiaries. Fabella's paper provides a good overview (based on readings of previous studies) why these predicted productivity gains did not transpire. It is not the purpose of this commentary to summarize them.

13. What is more productive is to outline the changing environment of the countryside to remind us (particularly CARP advocates) that mere land ownership nor extension of CARP implementation will reverse the fortune of poor tillers. We enumerate some of the challenges in the rapidly changing environment of the rural sector below.

a) Whereas returns to labor and land were the highest in the 70s and 80s (remember Schumacher's "Small is beautiful" work?), recent studies have shown that it is investments in research/technology which yield the highest return (refer to IFPRI 2000). Thus, ownership of land per se or engaging in self-exploitation to work on the land is no longer sufficient to improve the welfare of small farmers;

b) Recent studies (refer to Ponce 2013) have also shown that more than half of the incomes of rural households comes from non-farm related employment opportunities. This means that a rise in farm productivity might slightly increase their incomes but the promotion of rural industrialization will be key to dramatically improving their welfare;

c) By 2015, there will be more urban dwellers than rural dwellers. The farmers are aging and the country will experience growing labor scarcity in the rural areas as we have seen in China, Thailand, Malaysia and more recently, Vietnam. These countries have responded to this challenge through land consolidation, allowing the more efficient farmers/corporations access to (and not necessarily actual ownership of) land through various tenurial arrangements (e.g., contract growing, nucleus-estate outgrowers scheme, centrally-managed scheme, and BOT scheme). This enabled them to apply modern technologies in their farming operations as they cultivate areas which are deemed to be of "economic size";

d) The biggest class of workers in the rural areas are no longer share tenants but landless agricultural workers. Most of them will have no chance of owning land as the law is biased towards granting land ownership to share tenants. For this reason, the phenomenon of sub-

---

<sup>6</sup>The other components of CARP are agrarian justice delivery (AJD) which is an offshoot of LAD, and program beneficiaries development (PBD) or in layman's term, extension of support services.

<sup>7</sup>The Philippines has a total land size of around 30 million has, though only 10 million has are deemed suited for cultivation.

tenancy has arisen in many regions of the country wherein CARP beneficiaries have transformed themselves into "petty landowners" while hiring the services of agricultural landless workers to tend to the more strenuous aspects of farming (i.e., soil preparation, transplanting and harvesting). This seems to defeat the very purpose (i.e., freeing tillers from the exploitative relationship with the landlord) why agrarian reform was pursued.

e) Climate change creates more uncertainty in agricultural production as temperature changes and extreme weather becomes a norm. The proportion of degraded lands is increasing due to soil exhaustion and there is growing scarcity of water supply both for agriculture and human consumption. Agricultural production must therefore be properly planned to meet these growing environmental challenges to be able to feed future generations;

f) Evidence (Reardon, et.al. 2012) shows that logistical costs can represent 50 percent of final output price in the market. The provision of these logistics can be accelerated through public-private partnership as we have seen in countries like Malaysia, Thailand, Taiwan, Indonesia and Vietnam); and

g) Finally, the realities of a globalized agricultural trading is upon us, initially with our ascension to the WTO in 1994 and more recently, with the full implementation of the Asean Economic Cooperation in 2015. Quantitative restrictions (QRs) are out and tariff barriers are being brought down, and this means that our producers will have to face tougher competition vis-a-vis agricultural producers of other countries. Giving land to our small farmers will in no way ensure their competitiveness in the regional market. Only the application of the appropriate farm technology on an "economic size" farm planted with the right crop will allow us to turn the challenges of globalized agricultural trading regime into opportunities. As our Agronomy 101 reminds us: "To be successful in agriculture, one has to plant the right crop at the right place and at the right time".

14. Faced with the above realities, we enumerate some of our responses particularly as it relates to CARP implementation below:

a) It is time to put a halt on the LAD component of CARP as the costs of its protracted implementation far outweigh its benefits. The uncertainty it has generated has led to agricultural dis-investments, loss of collateral value of agricultural lands, and promoted illegal land transactions and rent-seeking behavior from both public and private individuals;

b) Efforts must be exerted to develop once again the land market so that those who are efficient producers (under the Coase theorem propounded by Professor Fabella) will have access to more lands and that illegal land transactions and rent-seeking activities are inhibited;

c) Reform our land administration-related agencies. There are currently three national agencies which are authorized to issue land titles: DENR, LRA and NCIP. Overlapping and contradictory mandates among them (which includes DAR) result in a painfully slow process of granting individual land titles, stymieing in the process the development of the land market. And if the conversion of CLOAs into individual titles is to be accelerated, it is indispensable that land administration reforms must be instituted. This reform measure will necessitate the establishment

of a Department of Land Administration which puts together the functions of different land administration-related government units under its wing and which will continue (as mandated by law) the implementation of the LAD balance after 2014;

d) A law heavily taxing idle and abandoned lands must be passed as an accompanying, but highly indispensable, measure to the reform agendas above. This will discourage land speculation and force land owners to use their land productively either by themselves or by selling or leasing them to others who will cultivate them. It is criminal to see agricultural lands left idle and abandoned in a situation of growing land scarcity;

e) Shift the country's agricultural objective from one of attaining rice self-sufficiency at all costs to achieving food security for all. This will partially lead to the abandonment of the commodity orientation of the planning and budgeting process of DA to one which is functionally oriented;

f) Create a Department of Agriculture and Rural Development (DARD) that will shift the obsession of the current DA set-up to attaining production targets for certain agricultural crops to one of generating greater incomes along the value chain of various agricultural commodities. This will mean removing and integrating some of the units of DTI involved in processing and marketing to the proposed DARD;

g) And finally, there will be a need to improve the incentive schemes in agricultural related agencies to attract young and highly motivated managers and workers given aging agriculture work force who normally suffer from "technical deficit" due to a mismatch between their formal training and the requirements of their position. Similarly, the national leadership has to realize that appointing the best talents to leadership positions in our agricultural-related agencies is key to the success of its poverty reduction objective and that the sector faces highly complex challenges that individuals assigned to key leadership positions in our agriculture-related agencies must have knowledge and understanding of the global and national dynamics impinging on agricultural production and marketing and the multitudes of macro policies affecting the agricultural sector.

## Literature Cited

- Adriano, Fermin D. 2007. CARP Institutional Assessment in a Post-2008 Transition Scenario: Towards a New Rural Development Architecture. Unpublished paper submitted to the Philippine Institute of Development Studies.
- Alston, Julian M., et.al., 2000. *A Meta-Analysis of Rates of Return to Agricultural R&D (Ex Pede Herculem?)*. International Food Policy Research Institute (Washington, DC). Research Report No. 113.
- Duplo, Esther. 2004. Scaling Up and Evaluation. *Annual World Bank Conference on Development Economics*. WB: Washington.
- Julien Labonne. 2011. The local electoral impacts of conditional cash transfers: Evidence from the field. Draft paper submitted to Oxford University.
- Labonne, Julien and Robert Chase. 2009. Who is at the Wheel When Communities Drive Development? Evidence from the Philippines. *World Development*. Vol 37, No. 1.
- \_\_\_\_\_. 2008. Do Community-Driven Development Projects Enhance Social Capital? Evidence from the Philippines. WB: Social Development Department, Policy Research Working Paper 4678.
- Ponce, Eliseo Jr., 2013. Convergence Mechanisms and Quality Improvements in the Provision of Support Services to Agrarian Reform Beneficiaries. Unpublished report submitted to the Inter Agency Committee headed by NEDA.
- Narayan, Deepa (ed.). 2002. *Empowerment and Poverty Reduction: A Source book*. WB: Washington.
- Reardon, Thomas, Kevin Chen, Bart Minten and Lourdes Adriano (2012). *The Quiet Revolution in Staple Food Value Chains (Enter the Dragon, the Elephant and the Tiger)*. Asian Development Bank and the International Food Policy Research Institute.
- World Bank. 2009. *Reshaping Economic Geography: World Development Report 2009*. Washington, DC.