

From State-led to Grassroots-led Land Reform in Latin America¹

by

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I. The agrarian question revisited

Over the last eighty years, virtually all Latin American governments have used the power of the state to alter access to land for specific categories of households and to redefine land rights for those with access. Extensive land reforms were part of the outcome of revolutions in Mexico (1917), Bolivia (1952), and Nicaragua (1979). Authoritarian governments imposed land reforms in Peru (1969-75) and Ecuador (1964). Democratically elected governments also pursued land reforms in Chile (1964-73), Colombia (1961-), Guatemala (1952-54), Honduras (1973-), El Salvador (1980-), and the Dominican Republic (1961-). Even in Brazil, where colonization of frontier lands was substituted for true land reform until 1985, new initiatives have been taken to promote redistribution.

Yet, in spite of these efforts, there are two issues that remain problematic: first, many categories of rural households still lack access to land and, second, those who do have access all too often use their land inefficiently. 90% of the total arable land in Latin America is in large farms accounting for 26% of the total number of farms, and in these farms land is frequently under-used and in some cases completely idle. The 50% smallest farms, which only control 2% of the land, are subsistence farms where land is generally overused. Poverty, which is closely associated with landlessness and insufficient access to land, is extensive. 55% of rural households suffer from poverty, 60% of which are in extreme poverty, as compared to 34% of urban households that are in poverty, 35.3% of which are in extreme poverty (ECLAC, 1997). In several countries, rural poverty is a source of violence and a destabilizing factor for economic recoveries (The Economist, 1996). Rural poverty also intensifies urban migration, putting downward pressure on urban wages and increasing urban infrastructure and welfare costs. Finally, environmental pressures are associated with insufficient access to land and ill defined property rights, inducing land degradation in small plots and expansion of agricultural frontiers onto fragile lands and tropical forests.

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A historical overview of land reform in Latin America, which can be divided into three phases, helps understand why eighty years of reforms have not been more effective in solving the problems of rural poverty and inequality. In the first phase, some of the land in the hacienda sector was expropriated, principally to the benefit of the former permanent workers of these estates. These beneficiaries were usually granted property rights as members of collective farms and ejido communities but were rarely offered the infrastructural and institutional support required to make them efficient producers.² In the second phase, initiated in Chile in 1973 with the military coup and extended throughout Latin America in the context of the early 1980s adjustment policies, lands in collectives and ejido communities were transformed into individually titled farms. At the same time, some reform sector lands were restituted to previous owners. In the process, all individually titled beneficiaries were exposed to the rigors of market competition and to new options on the land market.

These two phases of reform have left two critically important issues unanswered, the resolution of which will determine the future social structure of Latin American agriculture, in particular whether or not a viable rural middle class will emerge from the land reforms. These two issues are:

1. Access to land for the landless

With increasing labor market integration and de-centralization of non-farm activities, there are now more options out of rural poverty that do not require access to land than were available when land reform started. However, access to land remains a fundamental component of the solution to rural poverty in circumstances where there is extensive rural unemployment, inability to migrate due to low skills and lack of migration capital, and indigenous populations that have limited non-farm options due to discrimination outside the community and attachment to place. This implies that land reform needs to be expanded to include new clientele, namely the landless and minifundists who were generally discriminated against in favor of the permanent workers of traditional estates during the first phase of land reform. Pressures to satisfy the demands of the landless poor is often voiced by rural violence and land invasions and it is argued here that grassroots initiatives can play an important role in managing this process.

2. Competitiveness of titled beneficiaries in the reform sector

²On the collective farms, production was collective while, in the ejidos, production was on individually usufructed plots with centralized management of access to the market, supportive organizations, and public services.

Prior to the second phase of land reform, beneficiaries from the first phase were largely under the tutelage of the state and specialized parastatal agencies. Their survival now depends on competitiveness in a market environment that has been increasingly globalized. Whether this will be achieved or not depends on the ability of the state and civil society to complete the reforms with successful rural development packages consistent with the new macro-policy context, the new rules of market competitiveness, the new forms of governance, and the new institutionalization that followed structural adjustment. Grassroots initiatives are also important in helping titled beneficiaries in the reform sector achieve competitiveness.

The current phase of land reform thus provides significant space to grassroots initiatives. To identify their potential in solving the two issues mentioned above, we proceed as follows. In section II of the paper, we analyze the first two phases of land reform to outline who received access to land and under what conditions, with the goal of assessing the competitiveness and the economic viability of the beneficiaries. In section III, we analyze one important example of an on-going, grassroots-led land reform aimed at giving access to land to previously excluded landless groups, the MST (Rural Landless Workers' Movement) in Brazil. In section IV, we analyze emerging approaches to rural development and assess their potential to insure the competitiveness of land reform beneficiaries. In section V, we outline a set of policies aimed at enhancing the likelihood of successful outcomes during this most recent phase of reforms in Latin America.

II. Paths of state-led land reform

The first two phases of land reform took place at different times in different countries, but were experienced by most countries at some point. In the first phase, a reform sector was created based on expropriations of traditional estates. In the second phase, individual land rights were granted to beneficiaries. In what follows, we retrace these two phases (see Table 4, end of paper).

2.1. Phase 1: Expropriations and threats of expropriations

The objectives pursued through land reform in Latin America cannot be understood by looking at the reform sector alone (de Janvry, 1981). To the contrary, one of the most important objectives - the creation of a thriving, private agricultural sector based on large or mid-sized farms - was achieved in the non-reform sector, using the reform sector as an instrument for this purpose. In fact, the reform sector was rarely seen as a solution to agricultural stagnation. The actual role of the reform sector was varied. Reform served as an incentive for private owners to modernize in order to escape expropriation, as a political buffer to shelter investment in the private commercial sector, as a means of defusing

political tensions by co-opting the most organized sector of permanent agricultural workers, as a counter-insurgency strategy where there was armed rebellion and guerrilla warfare, and as a reservoir of semiproletarian labor for commercial agriculture. Where popular pressure for reform was high, the size of the reform sector was eventually very large, giving access to land to 52% of the rural households in Mexico and 75% in Bolivia (see Table 1). Where pressures were low, such as in Ecuador and Chile, the size of the reform sector was small, giving access to only 10% and 9% of rural households respectively.

Table 1. Data for Phases 1 and 2, selected countries

	Agrarian reform legislation ¹ (Phase 1)	% of farm families benefited ² (Phase 1)	Agrarian reform legislation ³ (Phase 2)	% of Coop. lands parcelized (Phase 2)
Mexico	1917	52.4	1992	72 (parcelized)*
Colombia	1961	4.0	1994	reform continues
El Salvador	1980	22	1991	100 (parcelized)**
Chile	1962	20.0	1973	41 (parcelized) 28 (restituted) 20 (sold)
Nicaragua	1963	55.0	1990	90 (parcelized)
Brazil	1964	<1.0	n.a.	grassroots initiatives
Peru	1964	21.3	1981	75 (parcelized)

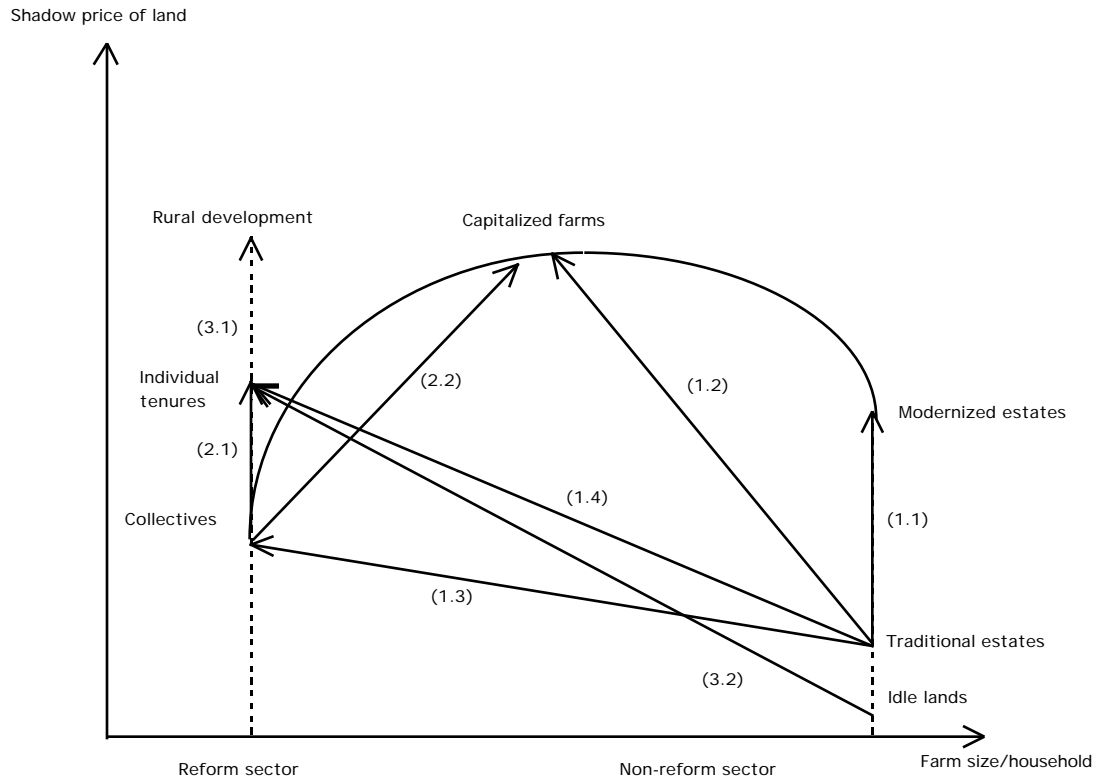
Sources: 1: Grindle 1981: 140; 2: Grindle 1981, Dorner 1992, Thiesenhusen 1995; 3: Deere and Leon 1997, de Janvry 1993, Thiesenhusen 1995; 4: Human Development Report 1993.

*This figure refers to the percentage of ejidos participating in PROCEDE, a program to parcelize ejido lands.

**This is an estimated figure. The El Salvadoran government promised, in May 1996, to forgive 70% of the debt held by former reform beneficiaries, which is expected to act as an incentive for privatization (Deere and Leon 1997: 31).

Starting the analysis of these reforms with the traditional estates, the state-led land reforms re-allocated these lands towards other classes of farms following four different paths (see Figure 1):

Figure 1. Land Reform Phases in Latin America



Phase 1 of land reform

- (1.1) Non-reform sector under threats of expropriation: modernized estates
Colombia (1961), Ecuador, Chile (1962-67), Peru (1963-68), Venezuela, Honduras (1973)
- (1.2) Non-reform sector under land ceilings: capitalized farms (reserves, voluntary divisions)
Mexico (1917-92), Bolivia (1952), Chile (1967-73), Peru (1970-80), Honduras (1973),
Nicaragua (1979), El Salvador (1980)
- (1.3) Reform sector organized in ejidos, collectives, and state farms
Mexico, Chile, Peru, Honduras, Nicaragua, El Salvador, Dominican Republic
- (1.4) Reform sector distributed as individual tenures
Guatemala (1952-54), Dominican Republic, Honduras, El Salvador

Phase 2 of land reform

- (2.1) Reform sector: individual titling of collective lands
Mexico (1992), Nicaragua (1990), Peru (1980), Honduras (1992), El Salvador (1991)
- (2.2) Reform sector with restitutions and screening of beneficiaries
Chile (1973-)

Phase 3 of land reform

(3.1) Reform sector: rural development for individual beneficiaries of land reform

(3.2) Reform sector: access to idle lands for the landless
Brazil (MST), Chiapas

Non-reform sector

Path 1.1. The threat that land would be expropriated if it was not utilized according to certain productivity levels was used to induce defensive modernization (de Janvry and Sadoulet, 1989). To encourage modernization, landowners were given a generous amount of time to adjust productivity levels, as well as access to subsidized credit and new technological options. This is the path of “conservative modernization”. It was followed where landlords had considerable political power, popular pressures were low, and urban industrialists needed to get agriculture moving in support of industrialization policies. This path was implemented in Colombia (1961), Ecuador (1964), Chile under Alessandri (1962-67), Peru under Belaunde (1963-68), Brazil (1964), Honduras (1973), and Venezuela (1960). For the scheme to work, threats of expropriation had to be sufficiently credible. With threats credible, the size of the reform sector needed to achieve this goal was eventually minimum.

Path 1.2. Where there was serious revolutionary pressure (Mexico, Bolivia, Nicaragua, El Salvador) or where urban interests wanted to accelerate the process of modernization and also expand the size of the domestic market for their industrial goods (Chile, Honduras), expropriations were implemented by imposing a ceiling on land ownership.³ This ceiling was in general quite generous, set at 80 ha. of irrigated land in Chile, between 100 and 200 ha. of irrigated land in Mexico, the so-called “*pequeñas propiedades*”, 50 ha. of irrigated land on the coast of Peru, and 500 ha. of rainfed land during Phase I in El Salvador and 245 ha. in Phase II. Owners were allowed to keep a land reserve according to a maximum legal size. Time was also given for owners to escape expropriation by dividing their estates into farms that satisfied the legislated maximum and passing excess land onto kin and name bearers. The best lands with the most secure access to water and available farm capital were concentrated in this farm sector.

Reform sector

Path 1.3. Along this path, lands expropriated from under-used or over-sized estates were assigned to the former workers of the estates (Thiesenhusen 1995). Because these lands were originally in large, centralized estates, production in the reform sector was organized into labor cooperatives, ejidos, or state farms, at least as a transitory stage toward eventual parcelization. In all cases, centralized management was important. This form of tenure allowed the government to postpone investments in infrastructure that would have

³ Note that many countries, like Honduras, used both land ceilings and land productivity as criteria for land expropriation.

supported family farms. Instead, it allowed to focus on training former estate workers who had hands-on farming experience (since many of them had been paid in land under rent-in-labor-services contracts (Sadoulet, 1992)) but little managerial experience in relating to markets, banks, and public agencies.

In Mexico, by 1992, the ejido sector included half of the nation's agricultural land and some 52% of the farm households had been organized into 29,000 ejidos and indigenous communities. In Chile, by 1973, 76,000 permanent farm workers had been organized into collective farms. Families were allocated individual subsistence plots but most of the land was cultivated collectively. In Peru, by 1980, one third of the rural households had been given access to half of the country's agriculture and forest lands in agricultural production cooperatives (CAPs) and peasant communities. In Honduras, 1/3 of the land reform beneficiaries were in associative enterprises. In El Salvador, the 1980 land reform organized the former permanent workers of expropriated estates into production cooperatives. In Nicaragua, 48% of the farm land was expropriated with 14% transformed into production cooperatives and 12% in state farms. In Colombia, expropriations were extremely modest. In 25 years of land reform that started in 1961, only 35,000 households had been given access to land, representing less than 4% of the target population. As in the other countries, land was usually given to associative enterprises.

In general, those who benefited from the reforms along this path were the resident workers of the traditional estates who fiercely resisted the incorporation of landless workers (particularly in Chile and El Salvador), largely because they wished to secure future access to land for their own descendants. Hence, the reforms excluded the poorest households, namely the landless farm workers and the very large segment of independent minifundists.

Path 1.4. Along this path, which was followed only in exceptional cases, land was distributed in individual tenures. This was the case under the Arbenz government in Guatemala (1952), although the reform was reversed in 1954. In Bolivia, the workers of traditional estates independently appropriated the land in individual parcels (Furtado, 1976). In the Dominican Republic, lands in large rice estates with centralized irrigation systems were transformed into production cooperatives, but other lands were allocated as family farms (Meyer, 1989). In Peru, 20% of the land reform beneficiaries were assigned individual farms. In Honduras, 2/3 of the beneficiaries were outside the cooperative sector, but it benefited only 9% of the rural households. In El Salvador, in Phase II of the reform, tenants on properties of less than 100 ha. were given access to subsidized credit to buy 7 ha. plots over a 30 years period.

In many situations, beneficiaries received bad quality and marginal lands that had been de-capitalized in the process of expropriation. Once in place, beneficiaries were as a rule forgotten by policy makers more concerned about catering to the commercial agricultural sector and urban import substitution industrialization. The beneficiaries were left without sufficient access to the credit, technical assistance, modern inputs, or education that were necessary to enable them to keep up with the private sector. In Mexico, a successful phase of output expansion in the reform sector based on large scale public irrigation projects was prejudiced by severe government control over beneficiaries' decision making. Authorities who were more interested in monopolizing rural votes than in promoting production stifled individual innovations and prevented adaptation to local circumstances (Gordillo, 1997). In Bolivia, services such as credit, marketing, and extension bypassed the land reform sector in favor of commercial agriculture. Agricultural output fell following land distribution (Furtado, 1976). Inadequate market integration combined with demographic pressures increasingly transformed the reform sector beneficiaries into semi-proletarian households actively involved in providing cheap labor on rural markets and in migration.

2.2. Phase 2: Individualization of tenures

Following the military coup in Chile (1973) and the implementation of adjustment policies introduced in response to the debt crisis (1982) throughout Latin America, policy emphasis turned to the promotion of market forces and reduction of the role of the state (Williamson, 1990). Lands that were held in collectives were parcelized into individual tenures, some were restituted to former owners, and many public lands were auctioned. In countries where the land reform was still on-going, it was officially brought to an end (Peru, 1991; Mexico, 1992; Honduras, 1992). The termination of reform (what Deere and Leon, 1997, call "counter-reform") meant that those who had never gained land during Phase I would now have to do so through other channels such as inheritance, rentals, land purchases, or illegal squatting. In most situations, the reform sector had become highly inefficient and the objectives of parcelization during Phase II were to promote efficiency by creating individual incentives to entrepreneurship. The collective stage, that had usually been intended to be transitory, had been prolonged by neglect or by ideological shifts enshrining collectivization. The drive to dismantle the cooperatives in the hopes of providing the more efficient entrepreneurs with access to the land was one of the most salient features in this phase of reforms.

Path 2.1. Individual titling

As stated above, in all countries, collectives (production cooperatives and ejidos) had been transformed into generally inefficient operations by the time decollectivization

occurred. Comparing the two alternative forms of tenure -- associative and individual -- the balance sheet is as follows:

Gains from decollectivization

Creates incentives for improved resource management by eliminating incentives to free ride on labor effort (under-provision) and on resource extraction (over-appropriation) (a particular problem of collectives).

Removes inefficient controls of centralized management over individual decision-making (a particular problem of ejidos).

Losses from decollectivization

Loss of economies of scale in production, for instance in the use of infrastructure (tubewells, buildings), equipment (heavy machinery), and division of labor (managerial skills).

Loss of insurance that had been achieved via geographical scale and institutionalized output sharing.

Loss of advantages in reducing transactions costs on product, input, credit, and insurance markets.

Loss of lobbying capacity in accessing public goods and services and in influencing policy.

Once the option to parcelize was offered, it usually spread very rapidly among beneficiaries concerned to secure their privileges. In Chile, 36,500 of the 76,000 reform sector beneficiaries were selected to receive titles to farms that averaged 10 ha. of irrigated land, accounting for 41% of the expropriated area (Jarvis, 1985). Beneficiaries were selected for their political record, rather than for their demonstration of entrepreneurship.

In Peru, parcelization of the CAPs on the coast was initiated by Belaunde upon returning to power in 1980, giving plots of 4 to 6 ha. to members (Deere and León, 1997). In the Sierra, lands in production cooperatives were partially distributed among individual cooperative members, and partially transferred to adjacent peasant communities. Progress initially was slow. By 1990, only 15% of the land reform beneficiaries had been granted titles, although they received 53% of the reform sector land. However, a major effort was made starting in 1996 to develop a modern cadastre and register all properties, accelerating parcelization. Only peasant communities were to remain common property with usufruct rights allocated to individual households by the community itself.

In Mexico, the 1992 amendment to the constitution of 1917 opened the door to the individual titling of land in the ejidos and the freedom to sell and rent these lands. Privatization of individual plots has proceeded in two steps. First, certificates are issued by

Procede, allowing ejidatarios to rent their land and sell it to other ejidatarios. Second, full titles can be issued with the right to sell to outsiders if approved by a 2/3 majority vote of the ejido assembly. By December 31, 1996, 72% of the ejidos had participated in Procede but full titles had been issued to only a few households. As this occurred in the context of a serious profitability crisis for agriculture and de-institutionalization of support for smallholders (particularly credit and technical assistance), many ejidatarios have opted for renting their lands to non-ejidatarios who have better access to capital and technology. Slow progress toward full titling is in part associated with high legal costs (whereas certification was free), low value of the land in much of the ejido sector, and concerns over loss of access to government privileges.

In Honduras, land titling started in 1992. Cooperative members received shares which they were allowed to sell. In addition, cooperatives were allowed to sell land, initiating a rapid process of internal disintegration. Land titling was also initiated on public lands, doubling the number of beneficiaries by allocation of these lands.

In El Salvador, cooperatives were given the option of parcelization in 1991. The land reform has remained active in accordance with the 1992 Peace Accords that promised access to land for populations displaced by the war (14% of the national population) and for former combatants of the FMLN. Farms above 245 ha. remained subject to expropriation and public lands were offered for sale. More importantly, a National Land Bank was created to facilitate land transactions between large sellers and small buyers. Priority was also given to the titling of squatters on lands occupied during the years of armed conflict.

In Nicaragua, the process of tenure individualization started with the 1990 elections that removed the Sandinistas from power. The new government proceeded to reconstitute lands that had been illegally expropriated, to give individual titles to members of production cooperatives, to privatize state farms, and to resettle the de-mobilized Contras and populations displaced by violence. By 1994, 90% of the land formerly in cooperatives had been parcelized and cooperatives had sold an important share of their lands in response to the profitability crisis in agriculture associated with the withdrawal of state support. 80% of the state farms had been privatized, with land generally returned to private owners or sometimes acquired by their workers. Anxious to protect their newly acquired property rights, the beneficiaries of land reform now constitute a conservative block that was instrumental in defeating the Sandinistas' bid to return to power in 1996 even though they originally owed them their access to land.

In Colombia, where the option of modernizing peasant farms through an extensive program of Integrated Rural Development had been preferred to land reform (see de Janvry

and Sadoulet, 1993), continuing violence and appropriation of large tracts of land by drug traffickers has initiated a new phase of land reform. The Agrarian Law of 1994 provides for mechanisms of “market-assisted land reform” through which beneficiaries receive a 70% grant for the purchase of land on the regular land market (see Deininger, 1998). INCORA, the land reform agency, can also buy or expropriate lands and transfer them to beneficiaries with the same 70% subsidy. By 1996, most of the transactions had occurred through this latter mechanism. The total number of transfers for 1995 (4,172) was only slightly higher than the annual average in previous years (3,673) (Deere and Leon 1997). In December of 1996, Law 333 provided vast, if uncertain, means for the expropriation and redistribution of huge tracts of land acquired illegally by drug traffickers. Whether the government will have the political power to pursue this radical approach remains to be seen.

Path 2.2. Restitutions and sales of reform sector lands

Complementary to the titling of land reform beneficiaries, lands that had been expropriated have frequently been restituted to former owners or auctioned off to non-beneficiaries. This has helped consolidate the formation of a sector of medium sized, capitalized farms. In Chile, 3,806 of the 5,800 estates which had been expropriated were partially or totally returned to their former owners as these expropriations were declared illegal. A total of 30% of the reform sector land was thus returned (Jarvis, 1992). The process of private appropriation of reform sector land was opened to agronomists, former administrators, public sector employees, and urban professionals. In the end, 20% of the land was sold to these private and institutional investors. Only some 50% of the land was allocated to former land reform beneficiaries. In the face of adverse economic conditions and lack of a supportive rural development program, this sector rapidly fell apart. An estimated half of the beneficiaries sold their land to commercial farmers who used this opportunity to consolidate medium-sized tenures. All in all, it is likely that not more than 5% of the Chilean peasantry gained and retained access to land through the land reform.

2.3. The legacy of land reform: Toward a Phase 3?

In summary, eighty years of land reform that started with the Mexican revolution have deeply transformed the rural sector, but not to the advantage of the peasants and the landless. Traditional estates with permanent workers partly paid in access to internal land plots have disappeared. Under the pressure of population growth and the need for optimal scale economies, modernized estates have gradually been divided through inheritances and the land market. As a result, the old latifundio-minifundio dualism has been transformed into a more complex and heterogeneous agrarian structure (Kay, 1995). A thriving group of mid-sized capitalized farms has emerged in the non-reform sector. By design, they were

the main beneficiaries of the land reform and now provide the engines of supply response to the recent economic reforms aimed at inducing new investments in agriculture. These winners do not have their origins in the peasantry or the reform sector. They originated in the breakup of the traditional estates and in the consolidation of land (including lands formerly in the reform sector) by landowners, urban professionals, and agroindustrialists through the land market. Parcelized farms in the reform sector do open the possibility of a successful independent smallholder sector - a historical novelty for most of Latin America - and whether this sector will survive and create a thriving rural middle class is one of the great challenges of today's agrarian question. The minifundio sector has experienced the least change as it did not benefit from the land reforms. Due to demographic pressures and environmental degradation, households in this sector are increasingly dependent on off-farm sources of income, mainly derived from the rural and urban labor markets and international migration. Finally, the landless sector remains the great forgotten group in land reforms and rural policy. Except in Chile where rapid growth of the fruits sector pushed real wages upwards, rural workers are increasingly participating to precarious seasonal and migratory employment.

The agrarian question has thus been redefined, but important issues remain unresolved. While there have been very significant efficiency gains in the medium-sized farms, land is still highly unequally distributed with some lands under-used and others overworked. The minifundists and landless farm workers are the main reservoirs of poverty, particularly extreme poverty, in the national population. They suffer from structural poverty and long term social exclusion. The indigenous population and female heads of household are among the poorest with the fewest opportunities for vertical mobility (Deere and León, 1997). In several countries, rural violence remains as serious a problem as it was when the Punta del Este Charter (1961) mobilized the Latin American governments in support of land reform. Environmental degradation has introduced a further dimension to the agrarian question as degradation is tied to the problems of ill defined property rights and inequities in access to the land.

The legacy of land reform thus points to two great challenges in this third phase: providing channels of access to land for the landless and minifundists, and achieving sustained competitiveness for the beneficiaries of the land reforms. We address these two issues in what follows.

III. Access to land for the landless and minifundists

Ironically, the drive to provide land for the poorest rural groups is taking place in one of the Latin American countries that to this date has made the least progress with state-led land reform - Brazil. As opposed to previous attempts in the 1960s, however, the

initiative now comes not from the government but from small communities of squatters that have been organized nationally by one of the largest grassroots organization in Brazil's history - the Rural Landless Workers' Movement (MST). In the 15 years since its inception, MST has helped to establish over 1,000 land reform settlements by mobilizing approximately 145,000 families to occupy "unproductive" land and pressuring the government to negotiate for title to the property.⁴ According to one observer: "MST is the most dynamic, best organized and effective social movement in Brazil today" (Petras, 1997). In relation to the issue of access to land for the landless, one of the most unusual and potentially valuable lessons to be learned from MST's experience is the importance of the social networks that link MST settlements nationwide, providing global support to local initiatives.⁵ In what follows, we outline how MST's "civil society" approach uses local and global-level interventions in order to win access to land for the landless and to provide long-term services that potentially further the sustainability and competitiveness of the settlements.

4.1. The people and the process

Over the past 15 years, MST has successfully reintroduced the campaign for agrarian reform in Brazil by exploiting a constitutional clause that land has a social function to fulfill. Introduced in 1964, the most recent Constitution upholds the social responsibility of land use, declaring unproductive properties to be eligible for expropriation and redistribution. Unproductive land is constitutionally defined as that which violates either the "degree of utilization" or the "degree of efficiency" established by the federal government.⁶ According to the latest agricultural census, approximately 44% of the country's arable land -- both public and private -- is legally unproductive, 80% of which is in the hands of large estates, and it is this land that the movement occupies with intent to settle.⁷ There are a number of reasons why holding unproductive land is financially attractive. Landowners have traditionally received artificially low tax rates, access to government subsidies, and

⁴ Although these figures are substantial, it is estimated that there are approximately 10.6 million people with insufficient or no land (Brasilia 1985, cited in Hall, 1991).

⁵ The networks in this study are divided into two types: formal and informal. The formal networks are structured by MST activists known as "militants" who travel between settlements with information from the regional MST offices concerning political issues (e.g., mobilization for political demonstrations) and economic issues (e.g., market opportunities). The informal networks consist of the settlers who receive this information and discuss it in a number of different arenas (e.g., group meetings, classrooms, and soccer events).

⁶ The "degree of land utilization" required for an area to be considered productive was set at 80% of the total arable land. The "degree of efficiency and exploitation" has been determined for all individual products and varies according to region.

⁷ Most of the unproductive land is kept as unimproved pasture which accounts for 33% of all farmland in Brazil (Thiesenhusen 1995:8).

used land ownership as shelters of wealth during high inflation periods (Pinto, 1995).⁸ As can be seen from Table 2, the 46 largest estates in the country utilize only 17 percent of their land (see Chiavenato, 1996).

Table 2. Owners of the 46 biggest estates by economic group

Group	Land (in million of hectares)	Area utilized (in million of hectares)	Area utilized (in %)
Financial	22.13	3.79	17.2
Industrial	10.99	1.99	18.1
Agricultural	6.28	0.91	14.4
Total	39.40	6.70	17.0

MST began in 1984 as a coalition of three grassroots squatters' groups in the southernmost Brazilian state of Rio Grande do Sul. The First National MST Congress, held in 1985 and attended by 400 people, formally established the short term goal of securing land for landless workers and the long term goal of creating a more just and equitable society. Since 1985, a National Congress has been held every six years in order to reformulate long term goals and is attended by representatives from every affiliated encampment and settlement. National and state governing bodies are elected every two years and a National Coordinating Board made up of 100 people consistently formulates short-term policy guidelines. MST is supported by funds generated internally, by volunteer activity, and by external contributions from charitable organizations such as Christian Aid.⁹ Movement activists known as "militants" (both self-selected and recruited) attend MST workshops to learn about the history of the struggle for land, about MST's national program, and about how to mobilize popular recruits and support. The militants then travel nation-wide throughout the peripheries of urban areas talking to people during religious events, at charitable institutions such as soup kitchens, and at labor union

⁸ Land is subject to an artificially low tax rate through undervaluation and provides a tax umbrella because agricultural income is taxed less heavily than industrial income. In 1964, the Tax on Rural Land (ITR) was created to provide a progressive tax scheme for financing agrarian reform. Instead, the practice of allowing landowners to value their own land has resulted in a regressive tax system which is exacerbated by the reluctance of large landowners to pay. In 1975, the value of land for establishments over 10,000 hectares was 42 Cr\$ while the value for minifundia was 901 Cr\$/ha. (Pinto, 1995). In 1990, 66% of rural establishments paid their ITR, but this only amounted to 34% of the projected total, indicating that those who did not pay were the larger farms.

⁹ In 1995, MST ran an operating budget of US\$901,519.00, 62% of which was generated through international donations and 29% through internal or national income generating activities. Member contributions totaled 66% of this latter category and revenue from the sale of publications, videos, etc totaled 32% (figures cited in de Kadt et al., 1997).

meetings, etc. The militants' intention is to gather a group large enough to carry out an occupation on land that has been determined by the movement as legally unproductive. The militants and new members plan the occupation, usually entering the property late at night and erecting temporary barracks out of heavy plastic and wood. Post hoc word of the occupation spreads quickly and the members rarely wait long before being visited by either representatives of the landowner or government officials. Each occupation group selects representatives who will negotiate with the government for title to the land. Although the negotiations, which involve proving that the land is unproductive, determining the method of appropriation and planning for settlement, may last between six months and six years, the occupants usually begin planting agricultural crops immediately.

The political process behind the negotiations is complex. There are four potential outcomes of an occupation. First, the property holders or the police can simply expel the occupants preemptively by force. This outcome has been made more likely due to the passing of decree No. 2250 (June 11, 1997) disqualifying any territory from expropriation if it is already occupied by squatters.¹⁰ Second, the federal government can determine that the land was actually productive and the occupants have no claim.¹¹ Third, the government can legitimize the need for land but relocate the squatters to an alternative site, usually on public land. Fourth, the government can recognize the claim, estimate a fair value for the land, and serve the owner with notice at which time the owner has 150 days to respond and either agree to the settlement or file a legal complaint. In practice, this process of establishing an appropriate value is protracted because the government representatives are usually open to bargaining, even though they are constitutionally empowered to impose a figure according to certain guidelines.

If the government and the landowner agree upon a price to be paid in agrarian debt bonds (TDA) or in cash,¹² then the government divides the land into individual parcels that are given to the occupants and possibly other selected beneficiaries.¹³ Although it is

¹⁰ The government has in the past been more tolerant of squatters (Grindle, 1986). It is not clear what effect this new legislation will have on MST. Thus far, it has not slowed down the rate of occupation nor has it prevented government officials from negotiating with squatters.

¹¹ It is the jurisdiction of the Federal Government, and the president in particular, to authorize a "social" expropriation although local and state governments often involve themselves in occupations by lending or denying support and delivering or withholding provisions.

¹² In 1992, the "Land Program" legislated the purchase of lands for the fulfillment of their social purchase, an instrument which has been used more extensively by FHC (Leite, 1997). The TDA's, however, were usually able to be held as highly liquid assets leaving little distinction between TDA's and cash (Hall, 1991).

¹³ The size of the parcels is determined according to the quantity of land in each region deemed necessary to support a single family of four (known as a rural module). According to a study undertaken in 1996, the average farm size on the settlements was 27.5 hectares (Vox Populi, 1996).

unclear what can be attributed to MST activities, data gathered on settlements nationwide indicates that 90% of the beneficiaries believed their welfare has been improved due to the land reform. On average, the settlers were able to increase their capital by 206% in relation to when they entered the settlements and were earning an average monthly income that was 3.7 times the national minimum wage (FAO, 1994) as compared to 3.4 for the national average (male) and 2.1 (female) (IBGE 1991, cited in de Kadt et al., 1997). The failure rate on settlements during the period 1985-1991 was estimated at 22%, although MST argues that on settlements affiliated with the movement the failure rate was closer to 10%.

Table 3. Land and families settled at the Federal level (1985-1996)

Period/Government	Expropriation (100 hectares)	Purchase (100 hectares)	Number of families settled
1985-89 Sarney	4,707	n.a.	115,070
1990-92 Collor	19	n.a.	494
1993-94 Itamar	1,462	15	36,481
1995-96 F. H. Cardoso	2,527	126	67,341
Total	8,715	141	219,386

Source: INCRA/Mim. Ext. Politica Fundiaria, cited in Leite (1997).

4.2. Insights from MST's experiences

As outlined in Table 4, there are three time periods to consider when assessing the role that MST plays in fighting for agrarian reform: 1) the mobilization period, 2) the occupation and negotiation period, and 3) the long-term consolidation period that follows titling. There are also two levels of operation: the local and the global. While it may be too early to argue that MST is capable of securing the long-term viability of the settlers, the movement has increased access to land for the landless in Brazil and, as such, deserves to be taken into consideration during this third phase of reform. Although the specificity of this land reform and the high level of attendant rural violence make it neither directly possible nor desirable to simply replicate the experience of MST across Latin America, the way in which the movement utilizes local and global level interventions is instructive for any country characterized by high levels of rural poverty, a gap between state mandate and state means, and access to organized local populations.

Table 4. Roles of MST in assisting access to land

Levels of intervention	Local	Global
Periods		
Mobilization	a. Self-selection of beneficiaries b. Identification of unproductive land for settlement site c. Resource transfers	a. Access to religious networks
Occupation	a. Organization, monitoring, and mobilization b. Provision of basic services c. Creation of social capital	a. Pressure on government b. Dissemination of information to the public c. Negotiation with government d. Mobilization of resources outside the community
Consolidation	a. Organization of support services b. Access to technical and local-market information	a. Pressure for continued reform and services b. Creation of a national network c. Access to international resources

1. Mobilization period: Local interventions

a) Self-selection of beneficiaries. As explained previously in the paper, an important concern is who the potential beneficiaries of this third phase of reform are in light of the exclusionary character of earlier reforms. Although this is a difficult question to answer empirically, according to official MST guidelines, members are required to have had a background in agricultural work and be landless at the time of occupation. This definition of membership is supported by the way the movement operates which is more likely to generate support from landless and nearly-landless workers than from middle-level tenants as members are forced to occupy unused land and establish a home there. There is evidence that MST monitors for inappropriate claims to land and takes action against individuals identified as not belonging. At the same time, the negative public image of individuals who join the movement acts as a deterrent against free-loaders. Given the limited information that most governments in Latin America have on the rural and urban poor, access to local information such as can be self-provided by community groups is important in determining who is eligible for land and under what conditions.

b) Determination of unproductive land. In order to plan an occupation, MST militants work collectively or with local agronomists to select a legally “unproductive” area for occupation. The local knowledge and effort employed in determining the productivity of potential settlement sites -- as well as their applicability for the location of settlement

households in terms of the available infrastructure, land fertility, location of water etc. -- decentralizes the act of gathering information and can be considered a service that MST provides to the state. This de-centralization could be replicated in other countries if the criteria for expropriation were legally established and representatives of any national or local-level organization authorized to gather information regarding those criteria.

c) *Resource transfers.* Although it is unclear whether MST successfully privileges landless agricultural workers, the movement does facilitate the participation of the poorest rural and urban classes by mobilizing resources that the poorest people might have otherwise lacked. In the northern region of Rio de Janeiro, for example, an occupation that was to take place some distance from the nearest city would have excluded those who could not find transportation if the militants involved had not secured extra funds by asking bus drivers and others to provide rides (JST, 1997). The importance of mutual assistance suggests that the grassroots nature of participation should be encouraged wherever possible.

2. *Mobilization period: Global Interventions*

a) *Access to religious networks.* The Catholic Church has been involved with the struggle for land in rural Brazil for over 30 years. In the 1960s, support for the peasantry and indigenous people became part of the Church's official mandate and priority was given to the establishment of Ecclesiastical Base Communities (CEBs) that were to serve as links between the clergy and laity. Although individual church officials hold very different opinions on MST, the movement is generally able to access church meetings held by the progressive ecclesiastic majority, where the movement can recruit members with the ideological sanction of organized religion (see Houtzager 1997:85-106). In this way, organized religion can provide both a physical arena as well as moral legitimacy to grassroots mobilization efforts.

3. *Occupation period: Local interventions*

a) *Organization, monitoring, and mobilization.* During the occupation period, the members self-organize on the occupation site, thereby contributing to a lower attrition rate on occupation sites than would otherwise occur. The members meet regularly to discuss difficulties and any issues considered important. One of the most important things to be decided and organized collectively in the early days of an occupation is how and where the members are to begin planting food crops. Planting food crops is important both for subsistence reasons and because, according to the Federal Constitution, crops belong to the person who planted them, even if the land does not. The members of the group also self-monitor in the sense that MST establishes certain rules of conduct to establish "order" on

the occupation sites. Drinking is discouraged through peer supervision, disorderly behavior is frowned upon, and intra-community violence is supposed to be avoided at all costs. Finally, the members of the community are self-mobilizing in the sense that there is a constant attempt to build morale and keep members focused on the goal of independent land ownership. As mentioned above, the importance of mutual assistance suggests that the grassroots nature of participation should be facilitated wherever possible.

b) Provision of basic services. During the occupation period, MST members also organize themselves in order to provide basic social services. A 24 hour guard is established that is in charge of protecting the community from intruders, as well as maintaining internal order. A temporary school is built and classes are held daily for the children and for any adults who cannot read and write. A rudimentary pharmacy is also constructed, usually simply housing the medical supplies provided to the members by outside communities. These are services that could not be effectively provided by individuals and have historically rarely been provided by governments.

c) Creation of social capital. Both (a) and (b) above are facilitated by the creation of solidarity during the occupation period. Although the MST members are extremely heterogeneous, ties are created by emphasizing the group's common plight through the construction of a group "background" as well as a group future. The common background is traced back over 100 years to the rebellion and massacre of 5,000 peasants at Canudos in the Northeast of Brazil. The common class heritage is framed as one of rural proletarianization in the face of increasingly powerful capital and foreign interests. The common future is characterized as one of social justice (land to those who work it) and harmony (the creation of a socialist state). Various techniques are employed to construct these ties, such as group memorization of motivational songs, impassioned speeches delivered by militants, etc. Although the particular techniques used by MST are site-specific, the importance of creating effective group ties for enhancing solidarity among reform beneficiaries is instructive. Group solidarity facilitates mutual assistance and collaboration in the provision of services, etc.

4. Occupation period: Global Interventions

a) Pressure on government. During the mobilization period, MST performs its most visible role in effectively organizing the often sensationalized occupations. Since its inception in 1984, MST's membership and activities have increased steadily. Today, the movement has an estimated 500,000 members who carried out 518 occupations between 1990 and 1996.¹⁴ Although government officials and landowners consistently argue that

¹⁴ The rate of occupation has increased steadily in recent years. Between 1990 and 1994, the average number

MST's tactics are unnecessary in light of every administration's stated willingness to carry out agrarian reform, the figures indicate that over half of the settlements in Brazil received land as a direct result of social pressure (Vox Populi, 1996). This suggests that the mobilization of the rural and urban poor in the pursuit of land reform is a fundamental determinant of success.

b) Dissemination of information to the public. MST performs an important role in accessing media channels and informing the public about the details of an occupation in order to gain their support and generate further pressure on government. MST's activities have received substantial media coverage, both national and international, which has created a widespread awareness of the landless' plight and the possibilities for redistribution. The "intellectual leaders" of the movement are interviewed regularly in the national newspapers and television. MST also operates its own newspaper, *O Jornal Sem Terra*, which carries information about recent occupations, the progress of affiliated settlements, and various legal negotiations to approximately 3,500 people. Informed popular support is an important means of creating a critical mass of social pressure for reform.

c) Negotiations with government. The process by which the outcome of an occupation is negotiated is extremely complex and involves regular recourse to the legal system. The members of an occupation generally select one or two representatives to meet with the government and these representatives are sometimes joined by official MST lawyers or offered legal services by NGOs such as Amnesty International.¹⁵ The value of such representation for the poor suggests that productive alliances can be encouraged between NGOs that provide legal support and grassroots organizations.

d) Mobilization of resources outside the community. An occupation can last anywhere from six months to six years and the most pressing issue during that time is how the group will feed itself. Although members typically possess some personal resources, which are complemented by the immediate planting of food crops on the occupation site, this is rarely sufficient. The members, therefore, depend on MST's high degree of organization and institutionalization (in that it is an easily recognizable, well-organized, national, official group) which allows the movement to seek aid from local churches, neighboring communities, and even from the municipal government if the latter is sympathetic to the members' situation. In other words, a high degree of organization at the global level is an important source of external resources for local communities.

of occupations per year was 50. In 1995, it jumped to 93 and in 1996 to 176.

¹⁵ The MST has one official lawyer whom the movement supported during law school in exchange for his services. There are other lawyers who regularly work with the movement, although they did not come from the settlements.

5. Consolidation period: Local Interventions

a) *Organization of support services.* MST provides a number of social and economic services that promotes the settlers' welfare and competitiveness as smallholders. This "co-production" of public services between civil society and the state has recently generated considerable interest as it offers a democratic, "cost-effective" means of compensating for the decline in the direct provision of social services by government. One of the most important services that MST provides is education. In 1996, MST operated 600 elementary schools and 20 schools at the 5th through 8th grade level which serviced 35,000 children with the help of 1,400 teachers (MST/CONCRAB, 1996).¹⁶ The provision of these goods by local groups such as the MST is relatively cost-effective given their access to detailed information regarding local conditions and personalities.

b) *Access to technical and local market information.* One area in which MST performs an important economic function is in the generation of agricultural and agro-industrial production information (e.g., information regarding crop suitability, production techniques such as fertilizer and pesticide application, and possibilities for irrigation installation) via the movement's own agronomists or through mediated exchanges between the settlers, academics, and professional agronomists. According to MST figures (MST/CONCRAB, 1996), approximately 3,000 people have received some sort of agronomic education provided by the movement. 250 settlers have been certified at MST schools as technical experts while 30 more have been sent on to higher education outside of the movement. These people have their education funded by MST and are subsequently expected to travel between settlements assisting production efforts. The exchanges between university groups and the settlers also increase the settlers' access to market information, encouraging the production of crops and commodities that have a higher market value such as cotton. This transfer of market and environmental information is cost-effective because it is generated directly by, and for, the target population.

6. Establishment period: Global Interventions

a) *Pressure on government for continued reform and services.* Aside from the land occupations, MST also organizes general demonstrations in favor of land reform, nationwide marches, and occupations of important political offices which have the effect of mobilizing popular awareness and support as well as lobbying the government for specific services (Torrens, 1994). The movement has successfully increased the settlers' access to

¹⁶ In 1995, MST received the Itau-Unicef Award for superior "Education and Participation" in a national competition of social projects (MST/CONCRAB, 1996).

credit and other government services such as education by organizing demonstrations intended to lobby local officials and mobilize the support of the surrounding population. On the 8th of June, 1997, for example, approximately 600 Sem Terra occupied the offices of the Secretary of Agriculture in Sao Paulo to demand the release of smallholder credit (JST, 07/97).

b) Creation of national network. An important component of MST's organization is the creation of networks between the settlements that provide a continuous flow of information, people, and resources nation-wide. In a seminal article on network analysis, Granovetter (1973) argued that “weak”, distant ties provided greater access to economic information than strong, intimate ties (see also Burt, 1992). Although the affection implied by a strong tie was likely to be greater than in a weak tie, the latter would have access to information that individuals and their close friends did not. MST militants create these weak links by traveling between the settlements, providing information regarding MST's demonstrations and other political activities, and encouraging settlers to attend regional and national meetings. In this way, MST creates an ongoing reserve of political pressure that can be activated when there is general or "national" need as well as a reserve of economic resources that acts as a safety net for settlements that encounter emergency situations and as a reservoir of group information. The creation of a national network between reform recipients is one of the most valuable lessons provided by MST and perhaps the least difficult to replicate in other countries.

c) Access to international resources. At the consolidation stage of a settlement, international resources have often been secured from donors such as the Institute for International Cooperation and Development (IICD) which is located in Massachusetts. Through IICD, teams of volunteers are sent down to settlements where they perform various services, such as housing construction, at the request of the movement. IICD also donates money and solicits charitable donations from other US sources. International organizations contribute generously to the movement's activities. In 1995, 62% of MST's operating budget came from donations and only 29% came from internal or national income generating activities (de Kadt et al. 1997). If the government in Brazil, and in other countries, can ally with grassroots social movements who have access to international resources than the governments will also benefit from the external aid.

IV. Competitiveness of the land reform beneficiaries

In this section, we first review the evidence available about the post-Phase II responses of land reform beneficiaries to market competition and de-scaled state services. We then identify some new rural development initiatives that are currently taking place and have the potential of enhancing the competitiveness of these smallholders.

The agrarian structure in Latin America has been altered in recent years by a number of factors that have operated to create a significant class of independent small holders. The most important of these factors are: the parcelization of collectives and titling of ejido lands into individual tenures, grassroots-led efforts at achieving access to land for the landless and minifundists in Brazil, continuing state-led land reforms in Nicaragua and El Salvador, and new initiatives with market-assisted land reform in Colombia and Brazil. The ultimate achievement of land reform policy would be to enable these smallholders to become competitive in the context of liberalized markets and a sharply reduced role of the state. The introduction of land markets would allow better farmers to replace older or less skilled farmers, inducing a slow process of social differentiation. This process would gradually concentrate the land toward the most competitive farm sizes and the better farmers. However, for this to happen, those who sell should not be doing this because they are differentially exposed to market failures and farm-specific policy distortions that exogenously seal their fates.

4.1. Post reform differentiation

Once tenure has been individualized and the rules of competitiveness (however distorted against smallholders) are let to play, the reform sector beneficiaries can follow three alternative adjustment paths:

Path 1. Failure to be competitive, land sales leading to land reconcentration, proletarianization of former beneficiaries, and migration.

Path 2. Involvement into largely self-sufficient peasant farming operations, complemented with seasonal participation to labor markets and migration, leading to semi-proletarianization and functional dualism (de Janvry, 1981).

Path 3. Successful, stable, capitalized and modernized smallholders.

Given heterogeneity of the land reform beneficiaries, these paths generally coexist within the reform sector of any given country, but with different relative weights. For instance, ejidos in Mexico have widely divergent resource endowments, some with high potential for modernization and production for global markets, allowing them to follow path 3, and others with little prospects other than subsistence production, confining them to path 2 or throwing them into path 1.

Evidence from past experiences of decollectivization tends to support occurrence of the first and second paths, with little evidence in support of the third.

Path 1. Land sales and reconcentration

The archetypal occurrence of this path is Chile. Parcelized land reform beneficiaries were poorly prepared to participate in the fruit and vegetable export booms that followed decollectivization. Beneficiaries generally possessed low levels of technical knowledge and education, lacked management experience, and had very limited access to credit and modern inputs (Carter, 1991). In addition, parcelization occurred in an unfavorable market context as trade liberalization initiated a serious profitability crisis in traditional crops. Strapped with high debts to pay for the lands transferred to them, many beneficiaries went bankrupt and were forced to offer their lands for sale. At the same time, the profitable options that were emerging carried high risks due to the need for heavy capital investments, long maturation periods, and the use of sophisticated technologies and marketing systems. Land reform beneficiaries were not in a position to enter into these activities, in part because their lands were already heavily mortgaged. Half of the beneficiaries sold out. Of the lands that were sold, Echenique and Rolando (1991) estimate that:

67% was acquired by larger farmers who consolidated land in capitalized medium-sized farms. In the better endowed areas with potential for fruit production, 70% of the land reform beneficiaries sold their lands.

21% was sold to other smallholders.

5% was sold to minifundist or landless households.

Exposure to the forces of competition, in a context highly biased against the land reform beneficiaries, led to the liquidation of much of the achievements of the long legacy of state-led land reform. Instead of creating a class of small holders, the reform helped consolidate a class of modernized capitalized farms that did not originate in the peasantry.

Path 2. Involution into production for home consumption and semi-proletarianization

The two features that precipitated the downfall of land reform beneficiaries in Chile (heavy debt burdens associated with access to the land that acted as a push factor, and highly profitable options in agricultural investment that increased the demand for land) were not present in the rest of Latin America. There, the land market was incipient and options outside farming were more limited.

In Peru, Carter and Alvarez (1989) observe that decollectivization did create an incentive effect on labor effort. Beneficiaries worked more hours on their own land than they had worked on the collective. However, this effort was partially in substitution for labor formerly hired by the collective, and partially in substitution for the declining use of machine power. Hence, net output effects did not materialize. The effort to organize service cooperatives to assist individual farms in reducing transactions costs and sharing

machinery failed. The land reform thus culminated in what Carter and Alvarez call "disorganized decollectivization". Most beneficiaries lost access to credit (33% had access in 1986) in spite of the possession of land titles as collateral, due to the high costs to banks of loaning to individual smallholders. The beneficiaries also lost access to technical assistance, and to economies of scale in the purchase of inputs and the use of machinery. An outcome of this was an increased use of manual and animal power and a shift to peasant farming systems with greater presence of subsistence food crops.

The effects of "disorganized decollectivization" were uneven, as some beneficiaries were able to take advantage of institutional innovations to overcome market failures. Contract farming with merchants or processors provided access to credit and technical assistance. Sharecropping contracts emerged where a beneficiary contributed land and labor and a partner provided capital, technical assistance, and management expertise. Some market sales transferred lands to these more successful farmers. Sales were, however, incipient for several reasons. Land titling and registration remained uncertain. Credit for the purchase of land was not available. And the subsistence option complemented with part-time labor market participation provided a resistance strategy that helped poorer beneficiaries retain their lands.

Early responses to individual titling in Mexico have followed the same path as in Peru (de Janvry, Gordillo, and Sadoulet, 1997). In Mexico, the transition occurred in the context of a serious agricultural profitability crisis coupled with the de-institutionalization of state support to the ejido sector. Most beneficiaries lost access to credit, technical assistance, modern inputs, and crop insurance. In response to the greater freedom to define individual strategies, to the low profitability of new investment, and to the lack of access to state support, many ejidatarios switched to traditional peasant farming systems. Use of manual and animal traction substituted for mechanical power, intercropping expanded, extraction from common property resources increased, and migration accelerated. With land sales not yet fully marketed, land rentals accelerated. Again, responses were uneven due to heterogeneity of the ejido population. Some ejidatarios with better land endowments were successful in modernizing and diversifying their crops, initiating a process of differentiation across ejidos. In addition to better land endowments, the determinants of success included: availability of family labor, educational levels, access to credit and technical assistance, and membership in organizations (see de Janvry, Sadoulet, and Gordillo, 1995).

3.2. Rural development for smallholder competitiveness

The context in which land reform beneficiaries are seeking to achieve competitiveness is very different from the context of the 1970s when efforts at integrated

rural development took place throughout Latin America. Today's context is characterized by the globalization of market forces, a sharply reduced role for public subsidies due to budgetary restrictions, large institutional gaps for functions previously fulfilled by government agencies, new forms of governance with greater decentralization toward municipalities, more democratic representation, and an increasing role of NGOs and GROs in providing new institutional alternatives. Attempts to define and implement a renewed effort for rural development that would boost the competitiveness of smallholders remain incipient and dispersed. In Mexico, for instance, the government's rural development program, *Alianza para el Campo*, only reached 10% of the ejidatarios in 1997. In Nicaragua, only 13% of smallholders (many of whom are land reform beneficiaries) received credit and 13% had access to technical assistance in the same year (Davis, Carletto, and Sil, 1997).

Even if incipient and dispersed, recent approaches to rural development have introduced a set of interventions which contain fundamental, shared principles, consistent with the context described above. This new approach has been analyzed in particular by Echeverria (1997), the World Bank (1997), and de Janvry, Murgai, and Sadoulet (1998). These interventions are backed by significant advances in the theory of rural economics. In particular, the New Institutional Economics has opened novel avenues to understand the behavior of households, communities, and agrarian institutions, as well as the endogenous determinants of regional growth.

The main common elements that are found in these interventions are:

- (1) Capitalizing on a macroeconomic and sectoral policy context that is less discriminatory against rural development than before the introduction of adjustment policies, thus providing new incentives to investment in agriculture, particularly in labor intensive high value crops (Valdés, 1996).
- (2) Taking advantage of greater decentralization of governance and of progress toward improved managerial capacity and financial autonomy of local governments, which gives smallholders more direct access to policy makers in the definition and implementation of policy and public goods (for Bolivia, see Cossio, 1997).
- (3) Making efforts to improve the coordination between local agencies and between local and national agencies (Manor, 1997)
- (4) Promoting the organization of households in GROs and the mediation by NGOs in state and market relations.
- (5) Seeking greater participation of organized households and communities in the definition of priorities for public investment and the allocation of subsidies (Romero, 1996).

- (6) Achieving higher mobilization of resources both locally through taxation and user fees, and via transfer to the region.
- (7) Seeking to achieve efficiency gains through the widespread devolution of management of common property resources and local public services to user groups.
- (8) Making progress in the reconstruction of institutions able to mitigate market and government failures and to complement opportunities offered by the market and the state, particularly in the field of microfinance (Otero and Rhyne, 1994).
- (9) Taking advantage of increased political pressures to deal with environmental issues, which offer opportunities for resource transfers in support of rural development initiatives that promote conservation and sustainability.

The decentralization of governance, participatory rural development, and civil society-based institutional reconstruction have called for administrative designs for rural development programs that differ markedly from the state-based centralized approach to integrated rural development followed in the 1970s. A typical approach is one where funds are channeled to a Local Economic Development Agency (LEDA) which includes representatives of local government, deconcentrated public agencies, NGOs, and community organizations (Romero, 1996). These agencies receive requests for project funding from organized groups in the community. Assistance for the formulation of these projects can be given by NGOs or by private experts if communities receive vouchers from the LEDA to defray the cost of these services. The LEDA then competitively allocates loans, subsidies, and technical assistance to the best projects according to predefined criteria. Although this demand-led pattern of development appears promising, it must confront in its design ways to reduce corruption and to create incentives for targeting poor households within the recipient communities.

These rural development initiatives are still in their formative stages and, as in Mexico, have often continued to bypass land reform beneficiaries. Much work is left to be done to experiment with the approach and adjust it to heterogeneous contexts. Whether land reform beneficiaries will be explicitly targeted to benefit from these initiatives or not will largely determine whether they achieve competitiveness, instead of repeating the long history of bankruptcy and forced involution of smallholders.

V. Conclusions

We have argued in this paper that the sixty years legacy of state-led land reforms has left two major tasks incomplete: (1) providing access to the land for the rural poor, particularly the landless and minifundists, in situations where other routes out of poverty

are socially more costly, and (2) securing the competitiveness of land reform beneficiaries on their individualized parcels. We have explored how new approaches to land reform and to rural development that rely heavily on the role of GROs and NGOs, show promise in completing these tasks.

A number of lessons emerge from analyzing these land reform and rural development experiences. They all turn on the importance of: (1) Combining the advantages that grassroots organizations have in accessing locally public information and mobilizing local social capital, with the advantages that peak organizations have in accessing global markets, universal information, national and international public opinion and support, and the nation state. (2) Capitalizing on the synergy between organized civil society and the state for the delivery of public goods and services.

(1) One of the important lessons derived both from the New Institutional Economics (North, 1990) and from the practice of reconstructing agrarian institutions following structural adjustment is the importance of linking local with global institutions. In land reform, the MST has demonstrated the value of networks linking land reform settlements, providing global information at the local level through shared experiences, achieving economies of scale in the provision of certain services such as education, and having the ability to mobilize public opinion and lobby government for support and protection. In rural development, this has proved effective for the delivery of financial services to smallholders via programs of group lending linked to commercial banks through intermediary financial NGOs or village banks (de Janvry, Murgai, and Sadoulet, 1998). Governments, NGOs and social movements such as MST can cooperate in helping build these linkages between local and global institutions. For instance, networks can be fostered by soliciting volunteers from different land reform areas who will be compensated for traveling within specific geographical regions and sharing information with the other settlers, and by promoting dialogue between representatives from different land reform areas. The startup costs of informal financial institutions can be subsidized and information on best practices provided.

(2) All stages of land reform and rural development are facilitated by collaboration between local organizations and the state. This does not mean that the legislative means of rural development and reform should be decentralized into the hands of local governments, it means that social representatives with intimate knowledge of local circumstances and of the recipient groups need to be included in the definition of program interventions, the selection of beneficiaries, and the promotion of cooperative activities in the provision of economic and social services. Governments can usually compensate NGOs for the provision of such services at a much lower rate than would be possible if the state carried out the same activities. Governments can benefit from collaborating with grassroots

organizations on practical issues, even if they disagree with their tactics or motives at an ideological level. Alternatively, governments do not need to solicit particular groups for collaboration but can establish legislative openings. For example, governments can recognize the right of NGOs to access and provide information on certain sensitive areas such as the degree and efficiency of land use for grassroots-led land reform. The MST provides a concrete example of the “new” approach to rural development based on the principles of participation of beneficiaries, cooperation with decentralized levels of governance, and institutional reconstruction to provide services in support of competitiveness and social welfare.

Unless the two unfinished tasks of land reform -- giving the rural poor access to land and securing the competitiveness of land reform beneficiaries -- are given priority by governments and development agencies, the end product of a long history of land reforms will fall short of its true potential of creating a sustainable, capitalized smallholder sector. We have seen that promising initiatives are in progress with grassroots-led land reform and rural development, but that these initiatives are precarious, dispersed, and still poorly understood. Unless they are successfully adapted and implemented for the broad constituency of rural poor and land reform beneficiaries, liberalization of the land market will simply marginalize the rural poor from access to land and precipitate the sale of land or the involution into self-sufficiency of land reform beneficiaries. The consequences will be continued rural violence, high incidence of extreme poverty, accelerated urban migration, and failure to capitalize on the labor productivity advantages of smallholders. Successfully completing the two unfinished tasks of land reform should thus have a high priority on the Latin American countries’ rural policy agendas.

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