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REPORT ON
EVALUATION OF
AGRARIAN REFORM PROJECT
TO
USAID/MANILA
MAY, 1975

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The evaluation concentrates on analyzing the logic and internal consistency of the project and the validity of the assumptions and on the theoretical incidence benefits. Although project performance with respect to inputs and outputs has been reasonably good, the project impact has not been as anticipated. The evaluators believe this is because of unrealistic assumptions and circumstances which have been essentially beyond the project's control. The evaluators conclude that a basic project redesign is called for and they suggest six alternatives. The primary recommendation is that the government and USAID consider undertaking a combination of three of the alternatives. The emphasis of this recommendation is on improving the efficiency of execution of the land transfer. The new project design should focus on a goal that is specific regarding the transformation of tenants into amortizing owners and facilitate their ability to improve their livelihood in this status. The project purpose should be changed to concentrate on land transfer operations at the local level with fuller collaboration of the farmer support organizations and systems already developed. Measures of goal achievement and project output indicators should reflect the proposed new directions of the project.

I. The Setting

A. GOP Agrarian Reform Program

The agrarian reform program was launched with great expectations as a keystone of the martial law administration. Five days after the new government was established, President Marcos declared the whole country to be a land reform area, overriding previous law which limited the land reform to a restricted number of places. Just one month after he assumed the new powers, the President issued P.D. 27, "decreeing the emancipation of tenants from the bondage of the soil transferring to them the ownership of the land they till and providing the instruments and mechanism therefor." As of that day, 21 October 1972, each tenant farmer of private rice and corn lands was "deemed owner of a portion constituting a family size farm of five (5) hectares if not irrigated and three (3) hectares if irrigated," subject to each landowner's right to "not more than seven (7) hectares if such landowner is cultivating the area or will cultivate it." The decree set out a formula for compensating landowners, and requirements that must be met before tenants could gain title.

Land tenure and agrarian reform had long been subjects of legislation and administrative activity in the Philippines. But never had there been such a dramatic move by the Government. In past times, the failure of land reform was attributed to

the Congress and the old political and social system. Martial law was seen as a new opportunity, heralding a New Society, in which these impediments would no longer exist.

The U.S. and USAID have supported this program and the USAID Agrarian Reform Project was established with the Government of the Philippines to help back it up.

Tangible USAID support is relatively modest, amounting to something in the order of .01 percent of the estimated costs to be borne by the Philippines for the program during the period 1974-1977, or the equivalent of 112 million pesos from USAID and seven to eight billion pesos from the Philippines.

A little more than 2 1/2 years after this bold start, and 1 1/2 years after the USAID project agreement was signed, we encountered many expressions of disillusionment with the agrarian reform program. This attitude did not come about suddenly. It has been growing for some time and has been given expression during the past year by academic observers who have followed the program's progress and by foreign journalists. The subjects of criticism are briefly discussed below and also treated at greater length elsewhere in this report, which appraises the AID project and makes recommendations with respect to it.

1. Concern Over Valuation Procedures

Economic analysis has indicated that many of the completed land transfers have been based on excessive property valuations, which will lead to corresponding excessive and burdensome amortization payments in the future. Indeed, in some cases, farmers might not be able to sustain these payments out of reasonable projections of future production. The principal reason for the overvaluation appears to be the process by which land values are established for transfer purposes. Landlords and tenants were expected to agree on a selling price with a village land production committee intervening to review agreements only if the two parties cannot agree. Several observers have expressed the fear that committee proceedings are dominated by landlords and tenant representatives who cooperate with them, a situation which together with the general absence of appeal procedure for tenants, would leave landlords with their superior social position and economic and legal resources, essentially dictating the terms of sale. One comparison of IBRD production estimates province by province showed that on the average, the transfer price per hectare runs from 15 to 100 percent higher than the authorized figure of 2 1/2 times three years average production.1/

2. Possibly Unfavorable Productivity and Income Consequences

Economic comparisons between farm yields achieved by leaseholders and by small owner operators do not encourage the belief that land transfer in itself will increase productivity. Indeed, if landlord-based inputs of credit and supplies are not replaced by new and effective farm support systems, production may decline or the former tenant may judge himself relatively worse off in view of increased expenses and greater risk.

3. The Slowing Pace of Reform

The rate of transfers from de facto share-cropping to lease holding and on to amortizing owner status has slowed down. Targets established in the original program have not been achieved, (perhaps they were too ambitious in the first place); nor is the conversion of share and rent payments to amortization payments proceeding according to schedule. This slowdown is generally interpreted as an indication of declining commitment on the part of political leadership of the Philippine Government, or at a minimum, of serious administrative failures.

4. The Preoccupation with Form and Procedure

In some months, land transfer certificates have been held back or withdrawn for correction faster than new ones were issued. This fact, along with the amount of resources devoted to training, the recent efforts to upgrade the quality of

records.. and the diversion of top management attention to improving computerized techniques for parcelization have been presented as indications that, like many reform attempts elsewhere, the program has become stalled by technocratic and bureaucratic preoccupations to the detriment of a more appropriate concern with maintaining the momentum of the effort and its actual impact on the rural society.

5. Lack of Political Will

One interpretation of these developments is that the political leadership is no longer strongly behind land reform. Explanations of this apparent lapse of political will range from extreme cynicism (some dismiss the entire operation as a political ploy) to more sophisticated interpretations (other knowledgeable observers call attention to the recent surge of political pressures, especially from small landlords, that have reached the high levels of the government and seemingly brought land transfers to a standstill). Evidences of this supposed decline in political support include the President's refusal to issue policy and procedural guidelines drawn up by his staff early on which would have clarified and facilitated implementation procedures; his delay of transfer schedules for the 7-2⁴/₈ hectare category; and his statement that landlords and tenants should work out valuation agreements among themselves, without government intervention, despite the obvious inequalities

in their bargaining positions. This alleged waning of political determination has supposedly adversely influenced the performance of the Department of Agrarian Reform, which is said to be much less zealous in Manila, where decisions are made, than in the field, where the problems are.

B. Team Assessment

Our observations, brief as they are, suggest that the gloom is excessive, and the disillusionment premature. Land reform may not be the first order of business in the Philippines in 1975, but it is by no means off the agenda. The current degree of political commitment is hard to judge. Land reform is an important part, but it is not the whole of the Government's New Society program.

The GOP appears to have a number of other objectives, including the following:

- (1) The assurance of order.
- (2) The promotion of social unity.
- (3) Active direction of, and involvement, in the economy.
- (4) Assurance of a healthy environment for foreign and domestic private investors.

The Government does not separate these objectives. Thus land reform is part of a broad program aimed at breaking out of what Executive Secretary Melchor terms the "deadly, constricting circle" of economic and social stagnation.^{2/} Clearly

whatever outsiders opinions of the need for land reform or the dedication of the Government to it may be, so far as the GOP is concerned, the process of accommodating the various elements of the New Society agenda will require periodic change of emphasis. If the Government believes that a course of action followed or proposed for the land reform program will disrupt or endanger social unity or public order, it may be expected to exercise caution. Furthermore, its conduct of the program will be influenced by its judgment as to the effects on its private investment and broad rural development objectives as well as the inflationary impact on the economy.

It should also be noted that the conditions for carrying out land reform in the Philippines are unfavorable as compared with those prevailing in the most dramatic non-communist Asian land reforms of the 20th Century (Japan, Taiwan, South Korea): the government has to cope with the absence of good land records, relatively poor administrative resources available for carrying out transfer procedures, and a rather sparse organizational structure of local government and farmer groups. Unlike Taiwan and Japan, this is not a reform dictated by a foreign occupying power and the people in power will be adversely affected by it. Two years is, in any case, a relatively brief interlude for carrying out major social reforms.

The evidences of program shortcomings identified in the preceding section are by no means conclusive:

1. Despite the widespread reports that much transferred property is overvalued, Philippine officials report that cases of undervaluation have also occurred. What is needed is a prompt and effective review process. In a dynamic agricultural sector, land values are rising; local assessors are certainly aware of that fact as they try to achieve equity in applying PD 27. Appeals to the Department of Agrarian Reform have been slow and infrequent, but they have sometimes resulted in revaluation. More important, the Samahang Nayon (Village level pre-coops) and other farmer organizations are taking an interest in the tenant's problems with respect to valuation. Since these associations (Samahang Nayon) are expected to bear secondary responsibility for amortization payments, they have a legitimate interest in appealing clearly burdensome valuations. But given their mixed membership it is unclear as yet whether the majority will be pro-tenant or pro-landlord.

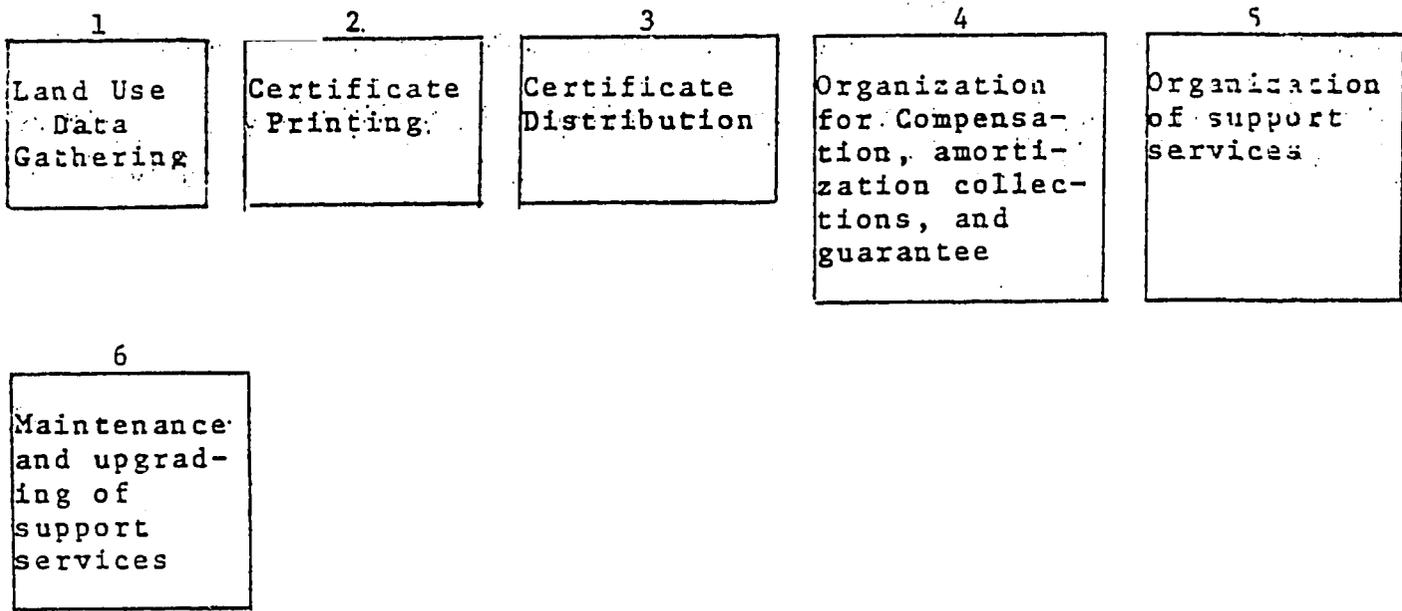
2. As to the productivity argument, land reform is rarely undertaken solely to increase crop yields, though the changed incentives for the tiller have usually increased productivity in the long run. The only reason to anticipate a decline in productivity in the aftermath of the Philippine land reform is that other inputs might be reduced as the landlords withdraw.

The government's developing off-farm support infrastructure to counteract this. Research is now under way to measure the impact on productivity and farmer tenant welfare in one of the early land reform areas. The results should be carefully scrutinized for their policy and programmatic implications.

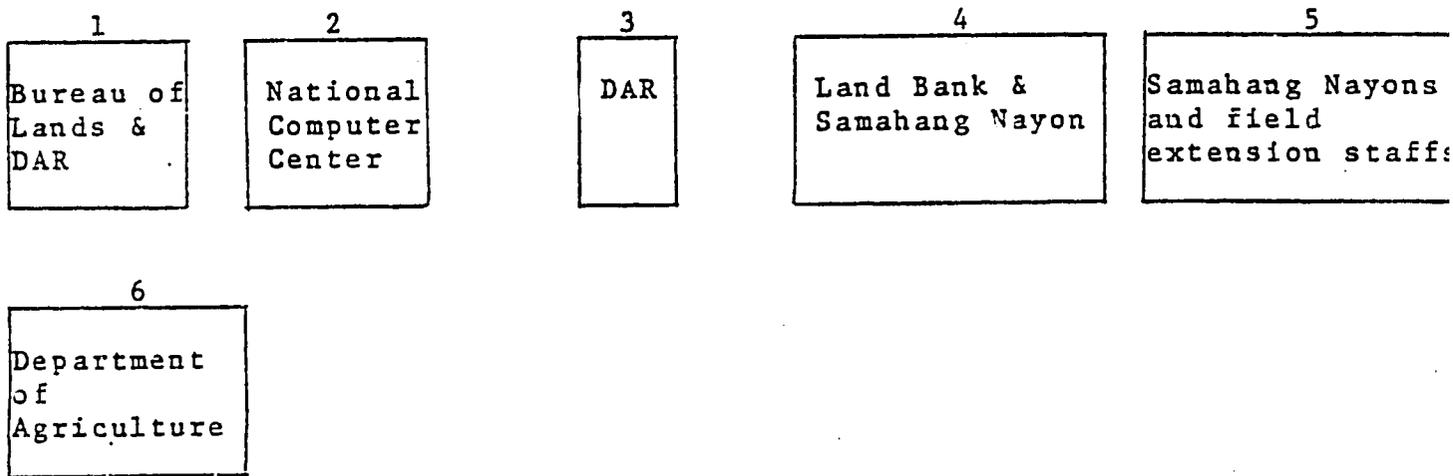
3. Slowdowns in the rate of land transfers have indeed occurred; the basis for them is explained below. In any case, we do not view the delay as irreversible. Land reforms in other countries have occurred by fits and starts, with each improvement in the rate of transfer taking place by quantum jumps rather than incremental change. The improved technology now available for issuing certificates and titles and the President's recent reaffirmation of the program should make it possible to recapture the lost momentum. In the next phase of the program, demonstrations of successful procedures and experiments with improved procedures might have a decisive effect in improving the rate of progress.

4. The problem of bureaucratization encountered in the agrarian reform program is common to all large-scale undertakings as they approach operational thresholds requiring division of labor and cooperation among different units and agencies. The land transfer process itself is no simple one. Logically it involves at least the following steps and organizations:

Steps



Responsible Organizations



5. The lack of political will may be more apparent than real. Governments are not static; priorities change as political pressures mount. Any successful political leader (even under "martial law") recognizes the equivalent of "two steps forward, one step back." At the end of our stay in the Philippines, on May 7

the President directed the Department of Agrarian Reform (DAR) to press ahead with transfers of tenanted holdings in the 24 to 7 na. category. He authorized a number of "sweeteners" to induce landlords in this category to cooperate. These include payment of up to 30 percent of the purchase price in cash. The remainder can be taken in the form of 6 percent bonds, which may be as collateral for loans from the Land Bank at a 10 percent per annum interest rate. Some knowledgeable observers believe that this is a significant breakthrough which will permit a pickup in the pace of the program.

II. Analysis of the AID Project

With the foregoing as background, we turn now to an analysis of the AID project supporting the GOP Land Reform Program.

The Project is divided essentially into two elements: (1) assistance to the land transfer process; (2) assistance to the development of small farmer organizational and institutional support systems. Assistance in the first category is provided on a nation-wide basis. While the GOP program in the second category also operates on a nation-wide basis, USAID technical support to it is concentrated in two "test-bed" provinces of Nueva Ecija and Camarines Sur.

Our analysis will concentrate on the national level assistance to the land transfer process because a separate and more extensive analysis is planned on the two Province Small farmer support

however, we were not able to do as thorough a project analysis as we would have liked because of the very brief time available. We especially regret our limited ability to gain insights from GOP recipients on their perceptions of the appropriateness and value of AID project inputs. Nor were we able to spend sufficient time with USAID project staff, since they were unavoidably pre-empted during a portion of our visit for work on the Vietnam refugee evacuation. Because of these limiting factors, we concentrate here on analyzing the logic and internal consistency of the project and the validity of the assumptions relating to project goal, purpose and outputs and on the theoretical incidence of benefit as they relate to both the GOP program and the more narrowly focused USAID project.

A. Project Input/Output Analysis

The provision of equipment and supplies and technical assistance at the national level has been satisfactory. Assistance in aerial photography, photogrammetry and parcellary sketching is essentially on target. This element of the project contributes not only to the Agrarian Reform Program but also to other GOP programs in regional, provincial, and rural development. While some follow-on assistance will probably be necessary in these technical areas, some reductions in total outlays for these purposes should now be possible.

Mobility at the local level, especially for field technicians has clearly improved, though it still requires additional support. The special vehicle loan fund provided for in the FY 75 ProAg permit DAR field technicians to buy motorcycles on credit has not yet been created. Because of the effectiveness of this approach both DAR and USAID should press NEDA to complete the necessary arrangements.

The second and more extended visit of a systems and procedure consultant as provided for in the FY 75 ProAg has been delayed several months. The technician concerned is now expected to arrive in June. In view of the slow-down in the land transfer process on the GOP side, this delay has not been as highly detrimental to accomplishment of the project goal as if all else had been on target. If the GOP program is to get back on schedule, however, the need to speed up and improve the transfer process is critical. Given the much larger numbers of both tenants and landlords in the lower hectare categories, some form of decentralization or devolvement of the process is essential to implement the GOP program effectively. At this time the program will be difficult, if not impossible to accomplish on a nation-wide basis because no accepted procedure exists for such expanding the volume of transfers. The procedural difficulties encourage us to suggest that the GOP experiment with different "speed-up" approaches in one or more "test" provinces in the same fashion

that innovations have been "pilot tested" in other areas of development activity in the Philippines. As a contribution towards this end, a considerable portion of the time of the procedures analyst consultant could usefully be spent in reviewing systems and procedures at the local level (i.e. province and below) with a view to recommending new approaches to expedited land titling which the USAID project could be re-designed to support.

At the same time, we believe that the effort, already underway to streamline DAR central and regional management should continue. USAID support to this activity is critical. An autonomous focal point for land transfer operations within the headquarters staff is needed and we endorse the DAR re-organization now underway to create one.

A significant portion of the USAID project assistance has been support to the Agrarian Reform Institute (ARI) at the University of the Philippines. The Institute has now been relocated from UP Manila to UP Los Banos. Organizational problems identified in last year's Dorner-Rusch report have been overcome. ARI appears to be adequately staffed and funded. The U.S. advisor is effectively integrated into the Institute, both in a teaching and research advisory capacity. However, we believe his value could be increased if he were residing and working full time at ARI with periodic consultations in Manila. USAID should consider making the contractual relationship direct between ARI and the University of Wisconsin Land Tenure Center. The agreement between

the two institutions might also provide for some graduate student training on research exchange.

A most important factor in bringing research to practice is the institutional relationship between those who implement development and those who produce relevant research. A mutually supportive relationship occurs when neither operators nor researchers view the other as adversary, but both cooperate in a joint definition of problems and approaches. The most effective relationship between operators and researchers has occurred when the operating agency has an effective internal information/evaluation system that makes use of feedback data from the local population to provide "early warning" of incipient and problem areas and access to timely research which identifies and explicates problems, causal relationships, and gives responsible officials data needed to develop solutions. To achieve this relationship, both operational decision makers and researchers have to participate in designing and using research. This task is not one of research design alone: the operating agency has to accept responsibility for organizing itself to identify problems and to ask questions on which research is needed, and the research agency has to accept the responsibility for organizing its activities so that timely and useful research results will be available to the managers and operators.

We are not sure that the USAID can do much to encourage such a relationship between DAR and ARI, but as a start ARI should be encouraged to do the necessary ground work within DAR to insure that its research proposals have the full backing of DAR officials prior to implementation.

Some output indicators for the land transfer operation have become irrelevant due to revisions in procedures. For example, the target of identifying one million tenants by July 1974, was not achieved because the GOP shifted the procedure in 1973 to limit identification only to categories of land declared by the President as subject to transfer. To date, a total of 715,000 tenants have been identified in all categories. For the same reason, the one million hectare target of parcel sketching will not be completed by July 1975. Since sketching was limited to priority land size categories (primarily estates 24 hectares and above), a total of only 437,000 hectares have been sketched so far. These indicators were based on the faulty assumption that the GOP would proceed sooner in distributing holdings down to a 7-hectare level.

The target of 250,000 farmers receiving certificates of land transfer by July 1975, will not be attained. The number of certificates printed is now nearly 200,000, but there is a large gap between certificates printed and those delivered, estimated to be on the order of one-half. Recent DAR efforts to deal with this problem reveal the reasons for non-distribution or delay in delivery of certificates as (a) about 28,000 certificates are

printed for lands exempt from transfer (landholdings 7 ha. and less), (b) farmers have not yet joined a village association as required, (c) conflicts and litigation mainly concerning eligibility, (d) errors, (e) cancellations, and (f) certificates in the pipeline still being processed. The DAR is establishing a system to monitor the distribution of certificates which should help in identification of constraints and consequent dealing with distribution problems.

The output indicator of 300,000 hectares of land to be classified for compensation purposes should be revised because of GOP procedural changes. Beginning in late 1973 and through March 31, 1975, land valuation was based on landlord-tenant production agreement which severely restricted the pace of classification. As of April 1975, Village Committees on Land Production were charged with classifying land according to past productivity. A more pertinent indicator might be the number of these committees which have completed the task of determining land production.

Regarding the indicator for a land records storage and retrieval system, the USAID and GOP have deferred an analysis due to limited project funding and have given high priority to a thorough analysis of land reform implementation procedures and preparation of a procedures manual, which will have a direct effect upon generation and storage of land records.

B. Project Output Assumptions

The following assumptions were originally made regarding outputs:

1. There would be no unforeseeable or unprecedented natural calamities.
2. Technicians' morale would continue high.
3. Farmer would adapt to new conditions.
4. The GOP would proceed in distributing landlord holdings down to a seven hectare retention limit.

Unfortunately, severe and unusually numerous typhoons occurring in 1974, together with the military situation in the Muslim areas, have hampered implementation of the program. These factors have not been the major cause of the reduced rate of progress, but in some areas their impact is significant.

The morale of field technicians has been affected by delays in provision of central policy guidance, shifts in policy and procedural guidance, and harassment from local landlords, particularly as the land transfer process has proceeded downward towards smaller landlord holdings.

As to farmer acceptance of new conditions, the latest available data (June, 1973) indicate no loss in production has occurred as a result of the land reform.

Thus, although project performance with respect to inputs and outputs has been reasonably good, the project impact has not been as anticipated. We deduce the reason lies within the assumptions originally made regarding project purpose and goal and to circumstances which have been essentially beyond the project's control.

C. Project Purpose and Assumptions

The PROP's basic assumptions were made concerning the project purpose of establishing a national administrative system for transferring land from landholders with 7 or more hectares to tenant farmers at a rate to effect redistribution to 250,000 farmers within two years. At the time it originally wrote the PROP, the USAID chose to limit its prediction of accomplishment by the GOP program being supported to the first two years of what was anticipated to be a four-year PROP. Basic assumptions of the project purpose are as follows:

- a. GOP will proceed in distributing landlord holdings down to a seven hectare retention limit.
- b. National calamities, Muslim unrest, and rice shortages will not force downgrading in the pace of Agrarian Reform.
- c. Feasible and acceptable landlord compensation schemes will be devised and implemented; and new owners will be responsive to support systems stimulation and activities.

- d. Coordination and integration of necessary inter-governmental agencies and programs will be expanded and continuing.
- e. Fiscal and skills resources will be available in sufficient and continuing supply.
- f. Policy, management modes, and technologists will be appropriate to acceleration of income redistribution.
- g. The GOP will maintain a continuing interest in translating research and evaluation findings into altered support systems and organizations.

To accomplish the project purpose, a two-track approach has been followed thus far, consisting of (1) assistance at the national level to facilitate identification of landlords and tenants, delineate holdings, achieve agreement on compensation terms, prepare CLT's, and issue and deliver them to the tenant beneficiaries; and (2) assistance at the local level in the two provinces of Nueva Ecija and Camarines Sur for development and testing support systems for land reform beneficiaries, especially for credit and technical inputs to replace those previously provided by landlords.

To date, progress towards accomplishment of the project purpose at the national level has been significantly less than anticipated. This result comes not from faulty project performance but rather because the first assumption, that the GOP would, by this time, have proceeded with distribution of landholdings down to the 7 hectare retention level, proved false. While the GOP has continue

to maintain its intention to do so, it has not moved as rapidly as was anticipated in the original project design and its pre-occupation with the problem of how to treat landlords in the small holding category has also delayed the implementation process for larger holdings. The presidential announcement on May 7, 1975 of new compensation policies for landlords in the 24-7 hectare categories may now accelerate matters.

At present, approximately 40% of the lands in the 24 hectare and above category remain to be distributed. Relatively little action on the distribution aspect of the GOP program has been taken since last November. The decision of the GOP to defer implementation of its land reform program with respect to holding in the 7-24 hectare category was taken subsequent to the time the project was prepared. The delay was precipitated by a decision to accomplish extensive surveys of the characteristics and economic circumstances of landlords whose tenanted holdings fall within the 7-24 hectare category. (Note: The government considers these small holder landlords to be "part of the economic middle class which we are trying to build and, therefore, deserve as much consideration as the tenants themselves".) ^{4/} This data-gathering exercise and the consequent resolution of policy issues concerning the compensation to be offered the landlords involved has delayed the implementation of the GOP's program, and in the process, called into question both the government intentions and the utility of the AID project.

Assumption (c) concerning the feasibility and acceptability of compensation schemes covering landlords in the 7-24 hectare category has not proven relevant since the schemes themselves were not published until May 7, 1975. It is not yet known whether new owners will be responsive to support systems provided by the government as an alternative to pre-existing landlord-tenant relationships. To date, neither the process of conversion to amortizing ownership nor the development and testing of amortizing owner support systems has progressed satisfactorily, except in the original "Pilot Province" of Nueva Ecija which continues to receive considerable AID support on the support systems side. It is important to note that support systems are not being set up exclusively for amortizing owners, instead the latter are being included in systems intended to benefit all small farmers and larger ones too in the event they so choose. Village pre-coops (Samahang Nayons) are intended to be the principal local intermediaries for extending credit, marketing, and technical support to farmers. Unfortunately, the Samahang Nayon (SN) program which is operated by the Department of Local Government and Community Development (DLGCD) is not well coordinated with the Department of Agrarian Reform (DAR) land transfer program. As a consequence significant numbers of land reform beneficiaries who have actually received their land transfer certificates are still not members of the village association (figures cited on numbers of beneficiaries who are members range from 5% to 25% but there is

evidence the percentage might be higher). There is also some evidence from locality-specific survey research indicating that potential land reform beneficiaries do not generally perceive the SNs as an organization which will be helpful to them in maintaining their small farmer beneficiary status but at times instead fear the program may be a government devised means of subsequently taking land or profits away from them, since the associations have the authority to seize lands of individual members whose amortization payments are in arrears. In fact it is possible that many tenants may not see the reform in its present form as an unmixed blessing.^{5/} (See also Appendix A).

We are also concerned about the assumption that necessary coordination and integration of governmental agencies and programs will be expanding and continuing. While some coordination is occurring, it has not been occurring with the speed or to the degree necessary to sustain the government's program. Thus we believe the Project should be revised to pursue an alternate course of action which would seek to facilitate the necessary inter-government coordination as well as improved linkage to farmer beneficiaries at the local level, at least in selected provinces, even if not at the national level within the immediate future.

Finally, assumption (f) concerning policy, management modes and technologies appropriate to acceleration of income distribution should be carefully and periodically reexamined. There is cause for concern that the desired income redistribution could

be defeated by policies or practices followed with respect to the amount and form of landlord compensation. The same danger also exists if small farmer support is not actually available on a timely and adequate basis. A further concern is that costs associated with participation in village associations may individually or collectively serve to neutralize the income redistribution potential of the land reform program. (See Appendix A for further discussion of these points.)

D. Project Goal and Assumptions

The project's stated goal is essentially the same as its purpose i.e. to develop "organizational structures and management systems which effectively improve rural income redistribution in rice and corn-growing regions through the process of agrarian reform."

If one measures overall project performance against the income redistribution aspect of the goal and the target of conversion of 250,000 farmers from tenant to amortizing owner status at the end of the first two years of the project, performance has not been satisfactory.

However, as we have already pointed out, this is unfair to the project since the reasons for unsatisfactory performance lie outside the scope of the project. We conclude that it is time to alter both the project goal and the method of achievement. In short, we believe a basic project re-design is called for.

III. Continued Support

The initial declarations of intent with respect to land reform were sweeping, and it would be a mistake for anyone knowledgeable about the Philippines to attempt to judge performance in terms of the scope and the numbers suggested then. Political discourse requires hyperbole, especially, perhaps, in the circumstances which existed in the Fall of 1972. It may be partially a sign of practical realism, and not lack of political will or commitment, when responsible officials subsequently set their sights lower.

The danger with promises that go far beyond the possible, however, is that people whose expectations they raise will react out of disappointment and frustration when the results come in. That is a difficulty the Government must face, but its view appears to be that in this case, literal acceptance of the early declaration and later frustration is a phenomena that may have affected foreigners who failed to understand Philippine political discourse, but not significant portions of the local population.

Insofar as AID accepted the early promise as a basis for program making or program justification, the books should be adjusted. This may be an embarrassment, but it is not a sin. And official recognition of more modest outcomes should not, in itself, undermine continuing support for agrarian reform including land reform.

Since the "friar land" reform in 1903, the United States has not consistently supported agrarian reform in the Philippines. There might be some value if we were to show a more steady enlightened interest and support, avoiding either over-promoting or completely rejecting the Philippine Government's effort. The latter, if premised on the notion that the program is failing, may help to insure just that effect, something which most critics presumably do not want.

Whatever satisfaction is to be taken in the pace of land transfer under the current program, it is moving along. During the first four months of 1975, for example, the cumulative total of landlords paid off by the Land Bank rose from 94 to 231, according to DAR reports. The total number of tenants affected by such settlements, which are supposed to mark the beginning of their status as amortizing owners, rose from 3362 to 6892, and the area covered expanded from 6287 to 13,335 hectares. This is not significant or sufficiently rapid progress, but it is progress.

Alternative New Directions

We believe FY 76 should be viewed as a transition year for the USAID project. The disillusionment described in the first section is pretty well advanced. It is time now to consider measures for bringing a new focus to the American efforts in support of Agrarian Reform.

One of the questions reviewed by the Rusch-Dorner mission last

year was the proposal to expand USAID's agrarian reform program by several orders of magnitude. Their report recommended against this course of action. We do not think circumstances have changed so as to make it more realistic now than it was then. We have therefore not considered that approach. A more probable alternative is to maintain the USAID support at or near the present level. A decision in this direction could involve either a continuation of present activities or the introduction of new approaches as previous ones are phased out. We favor the latter course. Obviously, given the fact that the American aid component (the equivalent of 112 million pesos) in the total Agrarian Reform program is so small in proportion to the GOP effort (7 to 8 billion pesos), it would be presumptuous to think of using the level of this aid, or its reduction, as a means of influence. Instead the possibilities of taking on new directions should be considered by both USAID and the Philippine Government on their merits. Still, USAID can help by developing new proposals. Among the alternatives (not mutually exclusive) for new directions, we have considered the following:

1. USAID could focus on improving the efficiency of land transfer processes by providing support for developing managerial reporting systems, communications network development, data gathering and reporting capacities, control and feedback mechanisms, and the like. It may be preferable to do this on a pilot basis, working in selected areas to develop appropriate indicators of performance (e.g., the number of tenants affected); speed up in transition from defacto share cropping to rental fees; the number of various resource inputs made available by the

support system to farmers in pilot and control areas, and so on.

2. USAID could help DAR or DLGCD (or both) to work out processes

on a pilot basis for more substantial involvement of different

local organizations: identify eligible tenants and assign

working forms to tenants prior to the certificate issuances;

adjudicate boundary disputes; issue certificates; provide

insurance for amortization payment; and other services.

The purpose of such a demonstration would be to find out what

characteristics of different local organizations permit them

to function effectively to support official efforts to carry

out the provisions of the agrarian reform decree. Effective

use of recent and current field research could be made in

redesigning the project along these lines, such as the IPC

research on alternate forms of farmer cooperation in the Bicol

region and studies now being completed at ARI and the Agri-

cultural Credit and Cooperatives Institute (ACCI). Experience

of field staffs of DAR, DLGCD, with various farmer organizations

should also be drawn upon.

3. USAID could explore means for providing administrative and

communications instruments by which DAR, DLGCD, private

cooperatives and others could coordinate their efforts in

integrating regional development with agrarian reform. This

regional approach is likely to be more difficult than the

proposal stated above, but it could help to overcome a

serious obstacle to achievement of over all agrarian reform

goals.

4. USAID could now concentrate entirely on support systems, turning to a "post land reform" approach by offering more services to farmers, especially to the newly certified ones, while encouraging the GOP to conduct a vigorous information and education program on the land transfer process. In effect, this merger would signal the termination of the Agrarian Reform project as a separate project, with some functions carried on through other AID projects in the Agriculture, Rural Development or Provincial Development fields.
5. USAID could concentrate on the resettlements schemes now being developed to relieve population pressures. This approach does not seem desirable because it is doubtful that resettlement projects can provide substantial relief from the country's population pressure; it might enlarge American presence; it would tend to draw attention away from land reform; and it would replicate experiences already undertaken in other countries, most of which have been disappointing.
6. Either independently of the above options or in conjunction with one of them, USAID could greatly increase support to research capacity of the different organizations already engaged in support to agrarian reform. This step would be especially useful if taken in conjunction with the pilot projects suggested in 1 and 2. Such support might attempt to achieve greater integration or at least reinforcement across the many small projects now under way. It might try to enrich

the methodologies now in use, as well as relate the individual surveys to more comprehensive theoretical issues. It might also develop research to test the hypotheses or assumptions that are being used by the GOP and the USAID in land reform operations, or otherwise develop a capacity for serving policy making needs more effectively. Our conclusion is, however, that greatly enlarged support to research would be impractical in FY 76, although some steps in this direction could probably be undertaken during the coming year. There is much to be done yet in analyzing and applying the results of recently completed and "in process" research.

C. Team Recommendations

1. Our primary recommendation is that the government and USAID consider undertaking a mixture of alternatives 1, 2, and 3. A combination of these alternatives applied on a pilot basis in one or more locations could well serve the Philippine agrarian reform program while at the same time suitably comprise an effective USAID project. The emphasis of this recommendation would be on improving the efficiency of execution of the land transfer.

Specifically, our recommendation would, we believe, assist the GOP to: (1) accelerate the rate of issuance and delivery of land transfer certificates; (2) establish a systematic process for converting farmers who remain tenants to leasehold status; (3) establish a system for land reform amortization payments; (4) strengthen the organizational base among land reform beneficiaries; and (5) provide critical information

for carrying out the reform and developing future land policy.

We anticipate the USAID project could directly assist in achieving these points by providing guidance, assistance, and training in procedures analysis, management reporting, communications network development, and relevant research. This approach would (a) continue the slow progress now under way toward decentralization of operating decisions from DAR/Manila to the regional level; (b) it would make use of extensive but as yet untapped resources of land information and personnel available in the tax assessors' offices in each of the provinces; (c) it would draw more heavily upon local organizations, especially the village councils and the Samahang Nayons.

- (a) DAR has already begun to break loose the decisions log-jam that has resulted from its early over-centralization. Regional officials are already authorized to sign contracts up to \$50,000 without advance clearance, for example, and the Regional Development Programs are now being managed entirely by Regional teams. Regional officials are charged with fixing provisional rentals under PD 27, a troublesome and potentially volatile issue; with the establishment of land values, subject to appeal procedures; with the allocation of lots in settlement estates; with the appointment of emergency temporary personnel; and with the transfer of funds between budgetary accounts. The DAR personnel we observed at Nueva Ecija may not be typical of the field staff, but their competence and commitment are impressive. We are led to conclude that at least

on an experimental basis, the local capacity of DAR could be exploited more fully in the stream-lined procedure we believe the program now calls for.

(b) Each provincial assessor has files of land assessments and productivity records that could be used, with discretion, in determining preliminary values for transfer purposes. Provincial assessors also have records of market value declarations made by landlords in response to PD 76 (also issued in 1972). We suggest that regional DAR authorities be empowered in one or more provinces to make use of these records to prepare provisional certificates of land transfer, in conjunction with the aerial photographs and other existing records that can be used to reduce the risk of fraudulent tax data. We are advised that provinces like Mindoro Oriental or Occidental or Iloilo, all of which have lagged behind Nueva Ecija in CLT issuance, would be suitable sites for experimentation with the proposed approach.

(c) The village councils in these provinces could participate in such functions as the following: verifying land use history and status; monitoring records of crop yield in the "three average years" designated in PD 27; reviewing rent contracts negotiated by DAR and possibly monitoring

compliance, screening farmer replacements for occupancy of lands vacated by disqualified CLT holders (e.g. those not making the amortization payments and whose obligations were thereupon assumed by the Samahang Nasyon); and negotiating boundaries of consolidation schemes, compact farms, and resettlement projects. Both village and farmers organizations could be used, singly or in consort, at the discretion of regional DAR officials.

We endorse a proposal developed by FAO personnel for consideration by DAR to establish the position of land registrar at the Barangay (village) level. With some 400,000 new amortizing owners and over one-half million lease-holders planned in the coming years, necessity will require that the task of record keeping and maintenance be shifted to a level lower than the province. The DAR could initially establish the position of Barangay land registrar and train a local person selected for the job. By creating the position of land registrar on a pilot basis in one or possibly two provinces and if it ultimately proves successful, giving the registrar status as a Barangay official, the government would be in a much stronger position to have current and accurate land records. The land registrar could participate in such functions as verifying land use history and status; maintaining records on all land transactions; keeping and maintaining cadastral records for tax purposes; monitoring records of crop yield in the "three average years"

designated in PD 27; reviewing rent contracts negotiated by DAR and possibly monitoring compliance; keeping records of amortization payments and screening farmer replacements for occupancy of lands vacated by disqualified land transfer certificate holders (e.g., those not making the amortization payments and whose obligations were thereupon assumed by the Samahang Nayon); and negotiating boundaries of consolidation schemes, compact farms and resettlement projects. Also, the registrar might be directly linked to the Samahang Nayon regarding land transfer and amortization functions. We suggest that Barangay land registrars make use of the provincial assessor in carrying out the kinds of duties described above. The provincial assessors as well as the provincial registrars might be tasked with assisting DAR in training Barangay land registrars in the basics required for the job. Naturally, there should be a free exchange of records between the provincial and Barangay registrars.

We believe such an approach would be acceptable to the DAR and provincial leadership if worked out by GOP official as a continuation of the pilot experiments already undertaken in connection with the USAID Land Reform Project. It has the advantage of building on capabilities and momentum generated in DAR, but making use also of the administrative resources created at the provincial level with USAID assistance under the Provincial Development Assistance Project. Finally, it has

the potential of vitalizing Barangay Council involvement and farmers organizations without reducing DAR's legitimate role, by giving them substantive responsibility in land reform and drawing effectively on the reservoir of local knowledge that cannot be computerized.

The USAID Project design should be changed to reflect the proposed new directions, as follows:

- a. The goal statement should focus more specifically on transforming tenants into amortizing owners and facilitating their ability to improve their livelihood once in the latter status. We believe the present goal is too broad to suit the current circumstances and project size. Based on the experience of the past two years it should now be possible for the project staff to establish a more specific goal and more realizable measures of goal achievement.
- b. The Project Purpose should be changed to concentrate on land transfer operations at the local level with fuller collaboration of the farmer support organizations and systems already developed with project aid. The AID-supported local land transfer efforts should also be experimental.
- c. An effort should be made to develop measures of goal achievement and project (as opposed to program) output indicators which reflect the proposed new directions of the project. At present the goal achievement measures

and several of the key output indicators relate more to the GOP program than to the AID project. The terminal conditions identified in the project documents are heavily dependent on program outputs. But there is no direct causative linkage between project inputs and outputs and the terminal conditions as represented by program outputs. Better measures of project (and program) progress than those now used would be (a) certificates actually delivered to tenants (less certificates returned or withdrawn); (b) the number of tenants who know that they have started amortization payments, and (c) the number of amortizing owners who have, in fact, more disposable cash income as a result of the status change. (Measure of goal achievement). Perhaps these indicators are not practical and others would be better. The point is that central office reports of issuance, and even of transfer, do not tell whether there has, in fact, been a change in status or income.

d. New assumptions need to be developed.

Attachment: Appendix A: Analysis of Benefit Incidence

APPENDIX A

Analysis of Benefit Incidence

Because this project and the GOP program it supports have the pronounced intention of having a significant income redistribution effect in benefit of the rural poor, we attempted, in the brief time available to us, to analyze this aspect. We concluded that the benefits of the project and the GOP program may be significantly less than anticipated. The results of the analysis are presented here.

The following "new burdens" or negative impacts apply to the land reform beneficiaries after the land transfers have taken place:

- (1) the difference between a tenant's share in the risk of fluctuations in production or income from production and that previously borne by the landlord.
- (2) taxes and irrigation fees.
- (3) the cost of homelots.
- (4) the requirement to pay one cavan (50 kg.) of rice or corn per hectare of harvest to the government-sponsored pre-coop.
- (5) a levy of five percent on all money borrowed from financial institutions, to be paid to the government-sponsored pre-coop (or a minimum of 5 pesos per month).
- (6) membership fees and dues to the government-sponsored pre-coop.
- (7) the full cost of harvesting and of all production inputs.
- (8) the possible loss of family income derived from participation in harvests of other tenants.
- (9) the loss of other benefits provided by some landlords on some occasions without cost or below cost -- food rations, loans

for personal needs, medical help, educational aid, vegetable plots, pasturage, housing materials, use of vehicles, pre-threshing subsistence assistance, droppings from rice/stalks/thresher, help in securing a lawyer.

As it moves forward, the current program exposes uncovered tenants to other immediate risks and uncertainties, including the worrisome possibility of physical dislocation. There is an incentive for landlords to dispossess tenants or to deny that a tenancy relationship exists, thereby avoiding the reform program. Landlord rights to retain land for personal cultivation may create uncertainty as to which tenants will be forced off the land and which will not. And consolidations and relocation of farms to conform to maximum land transfer limits will cause further displacements.

The land transfer certificate holder faces a continuing payment obligation, based on prices which depend, in large part, on the relative bargaining power of the parties -- and under current procedures, the parties are the individual landlords, on the one hand, and the individual tenants, on the other. Insofar as the negotiations are governed by a formula, moreover, the price is fixed on the basis of normal gross harvests, without taking bad years into consideration.^{6/}

The economic analysis by Dorner and Rusch in last year's evaluation suggests -- on the basis of rough calculations -- that, with normal harvests, an efficient farmer on irrigated land might come out well, but an average farmer would sustain some loss in income available for living expenses, and an inefficient farmer would pay around 50 percent more in amortization than he paid to his landlord as a share tenant.^{7/}

Thus for a possibly inflated purchase price, the tenant will get something less than normal ownership. He cannot pass the land on to more than one heir. And he cannot sell it to anyone other than the government.

The program requires great faith from the beneficiaries in the long-term availability of government support -- not for continued dependency, but for the services and advocacy which will permit greater self-reliance. The central issue here, as Secretary Estrella told us, is "credibility." The government's credibility will depend, in part, on the kind of advocacy and support which is given during the preliminary stages of the land reform process -- when help is needed in confronting landlords -- and on a clear, forceful legislation and administration which provides assurance that tenant interests will be protected in a long established social and economic environment unfavorable to "little people" who stick their necks out.

To date, however, tenants have generally been left on their own to negotiate with landlords, and the Government's expressions of concern have focused more on problems of the landlords than those of the tenants. While landlords have been able to use legal and administrative means to harass tenants and agrarian reform workers, no effective means of advocacy have been open to tenants beyond the traditional privilege of personally petitioning officials. And while agrarian reform workers have been told to overcome any remnants of the "landlord mentality" on their own part, they are also enjoined to show compassion for landlords.

The regulations currently governing the program leave the intended beneficiaries in great uncertainty about their situation, and short of appeals to Manila, there do not appear to be effective channels for resolving basic questions which have arisen out of the transfer process.

For Example:

What land is subject to the program?^{8/}

Who is a tenant?^{9/}

Who owes taxes, and when?

When does amortization start?

What does the landlord's right to retain land for personal cultivation mean against tenants on the land?

How will homelots be dealt with?

What is a proper price?

In resolving issues left uncertain by existing regulation, the burden of proof is left with the tenant to establish eligibility and rights under the program.^{10/}

Policy questions and interpretations aside, there is a problem of enforcement in the countryside of directives and rulings intended to support the beneficiaries. Evictions have taken place, although they are prohibited. Property has been taken out of land reform by various means, including reclassification of use and changes from tenancy to hired labor cultivation. And there has been parcellization of ownership among heirs or other successors so that a family can escape or reduce the impact of reform by taking advantage of the program's exemptions based on the size of individual holdings. While there are few data on these problems, there is general recognition that they are real.^{11/}

The threat of litigation and of eviction is used to harass tenants, even when it may be clear that the cases would be decided in their favor. Assistant Secretary Medina offers several reasons why this tactic works for landlords: "First, the tenant has very little time to allocate to going to courts; secondly, he has little money to spend. Even if he gets free legal services from DAR, he has to spend for his transportation going to the Court; and thirdly, during the pendency of the case, he can be drained emotionally and physically. He cannot, therefore, work effectively on the farm." And, the official pointed out, "there is always that cloud of doubt in the minds of the tenant farmers of getting a fair hearing."^{12/}

The foregoing analysis suggests that without substantial alterations in land reform procedures and compensation policies coupled with an effective advocacy mechanism for the tenant beneficiaries, there may actually be negative effects associated with the program which will eventually outweigh the intended benefits.

Decrees were issued in November 1973 and November 1974 that are intended to deal with some of these problems by giving DAR headquarters a larger role in monitoring cases between landlords and tenants. But this change appears to call for increased paperwork and to place heavy burdens on office staffs, and it could only add to delays. The Government has not found it possible to assure that advocates will be available to individual tenants and tenant groups to see to it that their interests are adequately taken care of in judicial and quasi-judicial proceedings and to give the tenants visible assurance of government concern for their protection. We were told that the Government pay scale militates against the employment and retention of advocates with the necessary experience, skills, and dedication.

We heard a suggestion that a special effort might be made by the Government to open up channels -- such as newspapers and radio -- for the public airing of complaints by individual tenants or group of tenants. This approach would give the tenants an outlet to air inequities and inefficiency as seen from their perspective and could bring pressure to bear on offenders. The approach is no substitute for other means of identifying and dealing with problems, including the work of the farmer organizations involved in the land reform effort, but it could have independent value for quick, out-of-channels reporting and action on behalf of people who lack the resources to pursue expensive or distant remedies.

We understand that there is precedent in the Philippines for the Government to provide poor people with an opportunity to telephone or telegraph their grievances to the President at a nominal fee. This might also be a useful device in the agrarian reform program.

The nature and extent of benefit incidence is further adversely influenced by population pressure on the land. The Government calculates that for rice and corn, a good family-sized farm is three hectares of irrigated land or five hectares of non-irrigated land. But dividing the accepted figure for total tenanted rice and corn land area by the accepted figure for the tenant population, leaves an average holding of 1.56 hectares.^{13/} Given the Philippines' rapid population growth and a lag in the expansion of off-farm residence and employment opportunities, the notion of 3-5 hectares minimum farm sizes may already be impractical. However, this should not be viewed as a valid argument against carrying out the reform since the situation will be much worse if land is not redistributed and experience elsewhere in Asia (Japan, Korea and Taiwan) has shown that giving the small farmer control over

his land greatly facilitates, the increased productivity which the Philippines badly needs to feed its growing population. With proper support family units should provide more employment and more production per hectare than would commercial agriculture depending on wage labor and capital intensive technology.^{14/}

We understand that there are no good statistics available for national planning or for project evaluation purposes on actual income distribution in the Philippines and changes over time. This lack makes it difficult to design or review programs in relation to their effects on income distribution or redistribution. With regard to the present land reform program, however, the intended beneficiaries account for a substantial number of people, but a good deal less than half those who till the soil. No benefits are provided for landless labor, and it is possible that this class of people will even be adversely affected because, in some cases, the program may transfer the cost of their hire from landlords to tenants.^{15/} Tenants whose farms are not classified as corn or rice land may be disadvantaged since they do not share in the benefits of the program. Tenants who are displaced because of changes in land use or landlord retention rights may also wind up worse off than before.

It is also possible that the terms of the reform itself will cause some of the intended beneficiaries to suffer, and depending on the actual awards and "sweeteners" provided for landlords, including substantial cash payments, subsidized loans, and tax exemptions, in some circumstances some landlords (particularly larger ones able to monetize their compensation early) may come out better

than before, at the expense of the public treasury and of those groups in the population who ultimately bear the major burdens of taxes and of inflation (to the extent that may be a factor). Note: Tax collections for FY 1971-72 were only 8.65 percent of GNP. Real wages for skilled workers declined more than 26 percent and unskilled workers more than 19 percent between 1965 and 1974.

7. Dörner and Rusch Report, p. 16.
8. The program covers "agricultural land primarily devoted to rice and corn." Tenants who hope to benefit are confronted with the possibility that use of any part of the land for other crops or other purposes will mean that it is not covered.
9. There are two problems involved here. First, if the landlord does not recognize a particular party as his tenant, the process of transfer is delayed, if not stopped. Even when the landlord approaches the matter with good faith, we may not know who are the tenants for particular parcels.
Second, given the wide variety of social arrangements which exist in the Philippine countryside, there are areas where the concept of tenancy, as such, may not be directly applicable. Assistant Secretary of DAR Medina points to Ilocos Region as an example, where out-of-school or unemployed relatives of a landowning family are allowed to work the land as a gesture of accommodation. "But by custom and family tradition, they cannot lay claim on the property. To them, to acquire land under P.D. 27 might rupture the prevailing family solidarity in rural areas. Moreover, one can expect that the land will not be given up without resistance.
On March 11, 1974, the President issued a decree that communal lands of national cultural communities previously in the public domain will be alienable and disposable to tillers in small farm parcels.

10. Sec Jose A. Medina, Jr. "The Philippine Experience with Land Reform Since 1972: An Overview." April 1975.
11. See Letter of Instruction 226, 16 November 1974, which recognizes that "some tenant-farmers, through some clever acts, schemes or strategies of landowners by themselves or with the aid of others, including government officials, are still being ousted or ejected from, or dispossessed of, the lands being tilled by them in contravention of decrees, laws, and orders pertaining to the land reform program of the Government." In this Letter, the President ordered the Secretaries of National Defense and Agrarian Reform to enforce strictly the prohibitions against ejection of tenants which he had decreed on 22 October 1973 (PD 316).
12. Medina, Op. cit. p. 32.
13. As of 14 June 1974, Land Transfer Certificates had been printed for a total of 175,995 tenants, the DAR reported. Among them, were certificates for farm or holdings below seven hectares which may never be delivered. The average size of tenancies covered by these certificates was, according to the NEDA Statistical Yearbook for 1975 (p. 142):

for holdings of 7 ha. and below	1.252 ha.
for holdings of 7.01 to 12	1.612 ha.
for holdings of 12.01 to 23.99.....	1.613 ha.
for holdings of 24 to 49.99.....	1.676 ha.
for holdings of 50 to 99.99.....	1.714 ha.
for holdings of 100 and above.....	1.902 ha.

14. There also appears to be a Government-encouraged effort to promote contract farming operations, under which in some instances, small holders tie themselves to a company, which supplies inputs, makes most of the farm management decisions, and purchases the farmer's output. As of 4 May 1975, 225 firms were signed up with the National Grains Authority to develop some 67,000 hectares of agricultural land for rice and corn production. Under one government approved agreement, according to the Manila newspaper Bulletin Today (4 May 1974 p. 2), Planters Products, the country's biggest fertilizer company, will team up with 400 small farmers for production of rice through fully mechanized and irrigated means on a 1200 hectare area. A full package of inputs and guidance is to be supplied by the company, and all the farmer has to provide, according to this report, is "their land and their services." The Planters case suggests that the corporate farming program may work at cross purposes from the employment as well as the emancipation objectives of the agrarian reform program.
15. Akira Takahashi, in "Two Views of the Kasama-Lessee Shift in Bulacan: An Exchange," View from the Paddy at p. 130, observed that in the village he studied, the cost of hired labor was shared between the landlord and tenant. On the other hand, Mangahas, Miralao, and de los Reyes found tenants bearing the full cost of hired labor in Nueva Ecija.

Footnotes:

1. This estimate is based on calculations by John Montgomery of data provided by Alexander Brillantes, Assistant Director for Research, DLGCD.
2. Alejandro Melchor, Jr., "The Challenge or Stagnation in Under developed Countries," Solidarity, September, 1973, pp. 39-50.
3. Letter of Instruction 143, 31 October 1973. This letter of Instruction notes that 95.4 percent of the landlords hold less than twelve hectares, accounting for 69.9 percent of the tenant The DAR, as of February 1975, estimates further that 374,393 landlords, or 86.8 percent of all the owners of tenanted rice and corn land, are in the seven hectares and below category, accounting for 55.6 percent of the tenants (531,858) and 45.6 percent of the land (693,303 hectares). 10.9 percent of the landlords are estimated to be in the seven to twenty-four hectares ownership category (a total of 47,146 owners), covering 28.1 percent of the land (426,834 hectares) and 23.9 percent of the tenants (229,316).
4. Ibid.
5. See Mangahas, Miralao, de los Reyes, Tenants, Lessees, Owners: Welfare Implications of Tenure Change (IPC, 1974). See also Brian Fegan, "Between the Lord and the Law: The Tenants Dilemmas View from the Paddy, at pp. 117-119, (IPC, 1972); and James C. Scott "Exploitation in Rural Class Relations: A Victim's Perspective," SEADAG Papers 75-1.
6. See Duncan Harkin, "Strengths and Weaknesses of the Philippine Land Reform," 1975.