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**FACTORS
IN CARRYING OUT
LAND REFORM:
SERVICES AND SUPPLIES**

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SPRING REVIEW OF LAND REFORM

FACTORS IN CARRYING OUT LAND REFORM

SERVICES AND SUPPLIES

COMPLEMENTARY TO LAND REFORM

by

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June, 1970

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TABLE OF CONTENTS

<u>Contents</u>	<u>Page</u>
I. Introduction	1
II. Background on Complementary Services and Supplies in Land Reform	2
III. Credit	
a. Credit Uses and Amounts	4
b. Credit Administration	10
IV. Housing and Other Social Amenities	14
V. Participant Training Activities	16
VI. Production Supplies	20
VII. Aid Agencies' Role in Services and Supplies	22
VIII. Policy Recommendations	24
IX. Summary	27

FACTORS IN CARRYING OUT REFORM:
SERVICES AND SUPPLIES
COMPLEMENTARY TO LAND REFORM
by
Dale W Adams*

I. Introduction

In recent years many land reform programs have included major doses of sundry services for participants as well as new supplies for increasing agricultural output and incomes. The purpose of the following is to detail the nature of these services and supplies. An attempt is also made to draw from this policy implications for international aid agencies.

The scope of the discussion will be largely restricted to those services and supplies which have been associated with social surgery: the redistribution of landownership and/or granting long-term tenurial rights to land users in areas which included at least modest amounts of infrastructure (land reform).^{1/} Much less attention is directed to inputs and services affiliated with settlement on new land (colonization). Likewise, little analysis is made of activities which are designed to address agricultural development in general without drawing equity blood, and only incidentally treat land reform (agrarian reform). I especially want to distinguish between activities which substitute for land reform as defined above, and those which complement landownership redistribution. Services and supplies which improve

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^{1/}As Doreen Warriner so well points out, "...to use the term 'land reform' in (a broader) sense blurs the real issue." Land Reform in Principle and Practice, (London: Oxford Univ. Press, 1969) p. XV.

results and accelerate land reform will be termed complements. Those activities which emit an aura of reform without reform and diffuse administrative and supervisory talent, as well as fiscal resources on issues other than redistributing landownership will be called substitutes. Thus, specific policy instruments may be either substitutes or complements depending on how they are applied.

Most of the analysis which follows is based on material presented in the approximately 30 country papers prepared for AID's 1970 Spring Review of Land Reform. While I attempt to draw generalization on the basis of world-wide experience, I do emphasize Latin America, especially in the policy recommendations section. This is partly due to the closer contact which I have had with land reform in Latin America, but it is also a reflection of my feeling that land reform will probably be a more pressing issue in Latin America during the next 20 years than in other parts of the world. Aside from possibly Nepal and the Philippines, most countries outside of Latin America and Africa have relatively few landownership problems or have experienced at least one major wave of land reform during the past 100 years. The crunch in restructuring Africa's landownership system is still ten to twenty years down the pike. Latin America, on the other hand, is a pot that is already boiling.

II. Background on Complementary Services and Supplies in Land Reform

Before discussing the experience with individual services and supplies associated with land reform it may be appropriate to make several general comments as background.

A number of cases of land reform have occurred without any significant attempt to provide complementary inputs and services at the time reform took place. In most cases, this was concurrent with revolutions: Bolivia, Mexico, Haiti, North Vietnam, and a number of other Communist-block countries. In still other cases, central or state governments were unable to provide these additional services even though land reform was somewhat anticipated (e.g. Indonesia, most parts of India, and Iraq). In a few cases no special efforts were made to provide inputs and services with land reform since rudiments of these services already existed in the rural areas from other public or private sources. This was especially true in India. In some of the above-mentioned cases, serious attempts to provide additional assistance began sometime after the reform took place (e.g. Mexico and Bolivia).

A number of land reform programs have included sizeable packages of services and inputs for most participants. In other cases, participants received a bit-of-this, and a dash of that; little attempt was made to provide a package. As suggested above, still other cases can be found where land recipients received little besides access to land under less oppressive circumstances. There is some indication that the complexity and size of the bundle of services tended to vary inversely within countries according to the farm managerial experience of the new operators of land. That is, experienced share-tenants required less assistance than landless workers.

In some cases landownership and inputs-services systems are almost synonymous. To dismember one was to dismantle the other (e.g.

Bolivia and Nepal). In other cases, a number of the supplies and services used for production on large landholdings were provided by the public sector or independently by the private sector. Under these circumstances, a change in landownership pattern does not carry with it a major change in the sources of supplies and services.

For purposes of discussion, I have placed services and supplies into four groups: credit, housing and other social amenities, participant training activities, and production supplies.^{2/} A summary of the land reform experience with each of these follows.

III. Credit

a. Credit Uses and Amounts

In almost every land reform program credit has received high priority.^{3/} If a governmental agency is unable to provide funds for farm-and-family operating expenses at the time of landownership redistribution, it is one of the first activities taken up when administrative muscle is developed. Several assumptions underlie this emphasis. The first is that land reform participants have generally been excluded from institutional credit, and what little funds they do receive in the informal credit market are under usurious terms. Secondly, some consumption credit is necessary to carry the family until increased production on the farm unit is realized. And thirdly, after the land tenure bottleneck is removed, credit shortage is the next most serious production constraint.

^{2/}Land titling and cadastral services are treated in separate Spring Review Papers.

^{3/}This discussion will be restricted to production and consumption credit and will not cover the financing extended for purchase of land.

A review of the various country reports presents rather consistent evidence on the first assumption. Few reform participants had access to formal credit prior to land reform. Collateral or land title is often a prerequisite to borrowing in this market. They either did not use credit regularly or obtained small loans through the informal credit market. Unfortunately, little firm evidence is presented in the country reports on the magnitude of this informal credit. In Asia, the Middle East, and Africa, informal credit provides a high proportion of the total credit funds going to the rural area.^{4/} This may be due, however, to very small amounts of agricultural credit available from formal credit sources rather than to the absolute size of the informal credit market. In Latin America, where institutional credit for agriculture is generally much more developed, informal credit apparently makes up a small part of the total rural credit package.^{5/} I would guess that a careful survey of land reform participants around the world would show that many used very little credit before reform, and that those who did get credit received only very modest amounts. Thus, formal credit associated with land reform had very little substitution effect.^{6/}

It is also unclear from the country papers as to how important usurious credit terms were prior to land reform. It is clear that high rates of interest were charged on some loans in the informal credit market, but how common these were is not clarified. Two studies of

^{4/}U Tun Wai, "Interest Rates Outside the Organized Money Markets of Underdeveloped Countries," Staff Papers of the International Monetary Fund, Vol. VI, 1957-1958, pp. 80-142.

^{5/}Dale W Adams, "Agricultural Credit in Latin America: External Funding Policy" unpublished paper, Department of Agricultural Economics and Rural Sociology, The Ohio State University, April, 1970, pp. 15-18.

^{6/}Some evidence on this point is presented in Gabriel S. Saab, The Egyptian Agrarian Reform, 1952-1962, (London: Oxford Univ. Press, 1967) especially p. 7, and pp. 92-93.

informal credit markets in Latin America strongly suggest that high interest rates on non-institutional credit have been over emphasized, at least in this region.^{7/} Both studies showed that a substantial part of the informal credit was moving at rather reasonable rates of interest, considering that the loans were generally unsecured, short-term, and for rather small amounts. We have to leave as open questions whether significant amounts of informal credit were used by participants prior to land reform, and whether usurious terms were generally applicable.

In most of the country papers there was some indication that the credit absorptive capacity of land reform participants increased substantially with changes in tenure. This is due to at least three factors. As Raup points out, secure tenure provides much more incentive for capital investments in farm firms.^{8/} Some of the investments in tubewells in India and Pakistan, as well as sharp improvements in irrigation and land qualities in Japan and Taiwan were related to improved tenure arrangements. Although largely undocumented, the major increase in credit use and visible on-farm-capital accretion in Taiwan

^{7/} Charles T. Nisbet, "Interest Rates and Imperfect Competition in the Informal Credit Market of Rural Chile", Economic Development and Cultural Change, October, 1967, pp. 73-90; and John N. Stitzlein, "The Characteristics and Significance of the Non-Institutional Credit Market in Rural Ecuador", AFC Research Publication, No. 117, The Agricultural Finance Center, The Ohio State University, December, 1967.

^{8/} Philip M. Raup, "Land Reform and Agricultural Development", Agricultural Development and Economic Growth, edited by H. M. Southworth and B. F. Johnston (Ithaca: Cornell University Press, 1967) pp. 267-314.

since land reform occurred has been truly amazing. Planting of perennial crops and livestock inventory build-up, plus equipment purchases are also part of this general process.^{9/} Additional credit plays a vital role in this build-up of capital.

A substantial increase in credit use by reform participants is also related to their increasing need to purchase off-farm inputs to respond to new technology. Reform often shifts land into more intensive use that requires additional off-farm inputs. This is due not only to the change in the farm management system, but also to the added incentives which more secure tenure arrangements have on levels of variable-input usage.^{10/} Former share-tenants in land reform, for example, find it profitable to apply higher levels of variable inputs as owner operators. Land reform may also encourage use of new technologies which have relatively high credit propensities.

Finally, in some cases a good bit of funds may be absorbed as consumption credit in cases where settlers are located on relatively new lands. It may take them several years to build a production and income base. This has been especially true in Venezuela and to some extent in Chile. Consumption credit appears to be more common in cases where landless workers are converted to some form of owner-operators, and less common where tenants are switched to more secure

^{9/} For an example of this, note D. W Adams and L. E. Montero, "Land Parcelization in Agrarian Reform: A Colombia Example", Inter-American Economic Affairs, Winter 1965, p. 69; Richard L. Meyer, Debt Repayment Capacity of the Chilean Agrarian Reform Beneficiaries, Latin American Studies Program, Cornell University, Dissertation Series No. 14, February 1970, p. 62; and Ronald J. Clark, "Land Reform and Peasant Market Participation on the Northern Highland of Bolivia", Land Economics, May 1968, p. 167.

^{10/} Some indication of this is presented in: P. T. George, "Lands Reforms and Credit--A Study in Andhra Pradesh", Asian Economic Review, May 1968, pp. 338-341.

tenure arrangements.

The country papers do not provide much information on amounts of credit used for consumption, production, and housing, or even total amounts allocated per unit of land or per family. Part of the problem is that many credit programs which service land reform participants do so only incidentally within a much broader set of credit activities (e.g. Colombia, Ecuador, Peru, Brazil, Egypt, India and Taiwan). Information on effort directed toward supporting land reform is usually buried in data on the total credit activities of the agency. Bits of information from various studies suggest, however, that at least in some cases credit requirements can soak up substantial amounts of funds. A study of a parcelization project in the tobacco region of Colombia showed that 5 years after receiving 6 to 12 hectares of land some 100 new farm operators were borrowing from institutional sources an average of about 400 dollars per year to finance production costs.^{11/} A good bit of additional funds also came into the project from informal credit sources. In Kenya some of the reform participants have received similar amounts of credit. Saab reports that in Egypt, land reform participants received from \$25 to \$45 per acre per year in operating credit through the supervised credit program.^{12/} Since many of these new ownership units were in the 3 to 6 acre range, total annual loans ran from \$100 to \$300 per year. A 1967 study of loans to small farmers in Peru, some of which were land reform participants, also showed that most loans fell in the range of \$100 to \$300 per farmer.^{13/}

^{11/} Unpublished data taken from a 1965 study referred to in article by Adams and Montero mentioned previously.

^{12/} Saab previously cited, pp. 92-93.

^{13/} Ronald Tinnermeier, "An Evaluation of Selected Supervised Agricultural Credit Programs in Peru", an unpublished report prepared for U.S./AID Peru, June 1968, p. 50.

Still another study of a supervised credit program in Colombia, part of which also serviced reform participants, suggested that borrowers received over a several year period doses of credit equal to about \$1,000 to \$1,500.^{14/} Prior to receiving this new credit only a few of the most fortunate of the participating small farmers had been able to obtain a couple hundred dollars worth of institutional credit per year.

In Venezuela a recent study reported that settlers on one land reform project received from \$250 to \$700 dollars each in production credit per year.^{15/} In Chile many reform participants were advanced about one dollar to one-and-a-half dollars per day in consumption credit for each day worked on the joint-farming project.^{16/} This amounted to \$200 to \$250 dollars per year. In addition, the joint-farming enterprise received about \$400 to \$600 per year in production credit for each participant. In Nepal only \$50 per year in production credit was extended to tenants who had received land.^{17/} Unfortunately, I was unable to find any data which indicated the marginal productivity of credit in any land reform project. It is unclear from an economic point-of-view as to whether more or less production credit should be used on these projects.

^{14/}D. W Adams and others, El Crédito Supervisado En La Reforma Agraria Colombiana, (Bogotá, Colombia: IICA-CIRA, 1966) p. 22 and p. 37.

^{15/}W. C. Thiesenhusen and others, "Leonardo Ruiz Pineda: A Case Study of A Venezuelan Agrarian Reform Settlement", Research Paper No. 9, Inter-American Committee for Agricultural Development, Washington, D.C., December 1968, pp. 34-37.

^{16/}Meyer previously cited, pp. 104-111.

^{17/}Quentin W. Lindsey, "Budabari Panchayat: "The Second Year After Reform", Land Reform in Nepal, published by the Nepal Land Reform Department, May 1966, p. 41.

In Chile a number of houses have been constructed for land reform settlers. The construction costs of these houses often exceed 25 percent of the total cost of the project including land value and other infrastructure.^{18/} Credits extended for these housing costs have run from two to three thousand dollars per participant. In Egypt long-term credit for housing ran around \$1500 per family.^{19/} Italy also had a large housing program in conjunction with land reform, but I was unable to find information on housing costs or credit arrangements.

For programming purposes one may not be too far off to plan for a minimum of \$500 per year per participant in operating credit, where necessary \$300 per year as consumption credit, and again where necessary \$2,000 in long-term credit for housing.

b. Credit Administration

A large majority of the institutional credit activities which service land reform around the world come through some type of cooperative. In some cases the leadership of the cooperative has a good deal to say with respect to who receives the funds (e.g. Chile, Brazil, Venezuela, and Kenya). In a few cases reform participants deal directly with a bank for credit rather than going through a cooperative (e.g. Colombia). In Indonesia, at least, some attempt has been made to channel more credit into rural areas through selected moneylenders.^{20/} Some attempt has also been made in the Philippines to get private banks more involved in providing credit to small farmers.

^{18/}W. C. Thiesenhusen, Chile's Experiments in Agrarian Reform (Madison, Wisconsin: University of Wisconsin Press, 1966) p. 147; and Meyer previously cited, p. 109.

^{19/}Saab, previously cited, p. 71.

^{20/}Erich H. Jacoby, Agrarian Unrest in Southeast Asia (New Delhi, Asia Publishing House, 1961) p. 75.

The issue of credit repayment is a very "mixed-bag". Several countries, for example Venezuela, Peru, Kenya, the Philippines, Iran, and Iraq experienced rather high credit default rates among reform participants. Credit repayment in Nepal, Japan, Taiwan, Korea, Colombia, Brazil, Chile, Ecuador, Egypt, and Syria, on the other hand, has generally been excellent. It appears that credit default was more common in cases where credit administration was very weak, and where loans were mainly made to people who had been landless workers.

A large number of countries have also tied some sort of supervision or extension to their credit programs (e.g. Egypt, Syria, Iran, Colombia, Mexico, Peru, Brazil, Venezuela). Depending on intensity and management efficiency, costs of supervision and farm planning have run between 10 and 25 percent of the value of the loans.^{21/} Again, the amount of supervision necessary generally varied inversely with the farm operating experience of the borrower.

A substantial part of the credit in a number of countries was granted in kind rather than cash (e.g. Egypt, Chile, Venezuela, and most of the socialist countries). The credit-supply transaction was often handled through a cooperative. None of the country papers indicated that diversion of credit in either cash or kind away from productive uses was a serious problem.

In almost every country, institutional agricultural credit directed toward land reform activities have carried concessional terms.

^{21/}For example refer to José Paulo Ribeiro and Clifton R. Wharton Jr. "The ACAR Program in Minas Gerais, Brazil", Subsistence Agriculture and Economic Development previously cited, pp. 418-419; Lindsey, previously cited pp. 50-53; and R. P. Dore, Land Reform in Japan (London: Oxford Univ. Press, 1959) pp. 282-283.

Land reform credit is often lent on even "softer" terms than the favorable arrangements which usually apply to agricultural credit in general. When the supervised credit program started in Colombia a rate of only 5 to 6 percent interest was charged on operating loans to land reform participants. Industrial borrowers meanwhile paid in excess of 18 percent. In Venezuela reform borrowers paid only 3 percent on loans. Egypt's supervised credit program only charged 3 to 5 percent on its loans. Especially in the Latin American countries which have experienced high rates of monetary depreciation, these low interest charges usually resulted in close-to-zero or negative real rates of interest. This, plus supervision costs and some default problems have made up a significant part of the social costs of a number of land reform programs.

Almost all of the funds which have been used to finance credit in land reform projects have been drawn from the public sector, or provided by international aid agencies. A.I.D. and the Inter-American Development Bank have been important contributors in this regard. Only very modest amounts of capital have been mobilized on a local level, and this mainly through cooperatives membership shares. There are several interesting cases, however, where substantial amounts of voluntary or almost voluntary local savings have been mobilized from peasants similar to land reform participants in Egypt, Taiwan, Uganda, Korea, East Pakistan, Nepal, and Japan.^{22/}

^{22/}Saab, previously cited p. 44 and p. 153; Syed A. Rahim, "The Comilla Program in East Pakistan", Subsistence Agriculture and Economic Development previously cited. pp. 418-419; Lindsey, previously cited pp. 50-53; and R. P. Dore, previously cited, pp. 282-283.

For purposes of discussion the following statements might be made on credit in land reform. First, it is clear that credit is a vital complement to land reform. Without substantial infusions of credit reform will not result in significant production increases. The tenure change opens up production possibilities, but credit enables farmers to realize these possibilities. Second, concessional-credit terms to reform participants do not appear to be strongly justified. Higher rates of interest should generally be charged on these loans. Current interest rate policy undermines the economics of credit allocation and often makes it impossible to maintain fiscal integrity in the lending agency. If farmers need an income subsidy it should be made outside the credit system.

Third, more attention should be paid to encouraging the growth in the informal credit system which services reform participants. Informal sources can provide a number of valuable services which cannot be handled by institutions. Fourth, in some cases credit must be granted in excess of some critical amount. I have seen cases in colonization areas of Latin America where only sufficient credit to meet consumption needs was granted to settlers. When they had cleared land and were able to use production credit they were denied funds because the original loans had not been repaid. Fifth, one should not be too concerned if a good bit of the credit to reform participants goes into livestock. This is often the first investment made by rural poor who have access to more funds.

Sixth, cooperatives will likely continue to be a major vehicle used to handle credit for reform participants. Emphasis must be placed on getting local members responsible for monitoring loans. In

line with this, much more attention needs to be paid to providing incentives for mobilizing local savings which can be re-lent. Coop members will be more concerned about default if it is mainly their funds being lent. Seventh, credit agencies need to be more discerning with respect to needs for various levels of loan supervision. Some borrowers, such as ex-share tenants and people mainly buying livestock, need relatively little supervision. Landless workers probably need more attention.

IV. Housing and Other Social Amenities

Only a few of the country papers mention investments in new housing as being part of the land reform program. Syria, Italy, and Egypt have included some housing in land reform projects. Venezuela, Colombia, Brazil and Chile have also included new homes for some participants. Most other land reform programs have apparently placed little emphasis on providing this facility along with land.

Aside from the figures cited earlier on credit advanced for housing I was unable to document the magnitude of housing costs. I was also unable to find much evidence that substantial investments had been made in schools (Cuba may be an exception), culinary water works, and health facilities in conjunction with land reform.^{23/} In a number of cases some of these facilities have been built by other agencies or ministries responsible for that particular service. In still other cases these facilities were built by cooperatives or by some group action.

Land reform agencies have followed a number of different policies with regard to housing. In some cases rather elaborate housing has

^{23/}Saab previously cited p. 72 suggests that culinary water in Egypt received a good deal of emphasis.

been built along with other social infrastructure in community centers (e.g. Colombia, Venezuela, and Chile). In other cases new homes without schools, etc. have been built for the settlers on the individual farms (e.g. Colombia, and Syria). Some land reform agencies have advanced funds for the participant to build his own home. In some cases this included only a small amount of money to buy cement and metal roofing (e.g. Northeast Brazil and Kenya).

Little has been written on formal evaluation of housing built in conjunction with land reform activities. I have never heard nor seen, however, strong ex post praise for this housing. Some argue that dwellings should have been located on the land reform parcels rather than in concentrations (e.g. Chile). Others argue that the style of house built was not appropriate for the area (e.g. Syria). Still others point out that too much money was tied up in housing in relationship to the income generating capacity of the farm units (e.g. Colombia, Venezuela, and Chile). Aside from a few personal experiences with projects in Colombia I was unable to give weights to these arguments.

Two of the first projects carried out in Colombia after passage of the 1961 Land Reform Law included major housing components. After experiencing substantially more costs than anticipated, and finding at best a luke-warm reception to this housing by participants, the agrarian reform agency wisely downgraded the emphasis on housing.

In a very tentative way the following comments appear to apply to land reform housing. (1) Social infrastructure and housing may be necessary in order to make a project show better. Housing is a

concrete activity which can be quickly seen by politicians and foreign visitors. One or two projects of this nature within easy access of the capitol city may be necessary for this purpose. (2) Assistance for housing is more important in colonization activities than in land reform. Landless workers, in turn, will often need more housing assistance than tenants. (3) Capital invested in housing does not directly increase income generating capacity of the participant. Unless housing is free, however, it substantially increases his debt servicing problems. (4) Finally, reform participants place a relatively low priority on substantial improvements in housing. Stories of odd uses of indoor plumbing are common in this regard (e.g. Italy). They would much rather have education for their children, more cattle, a few elementary consumption items, and a radio. Private expenditures on housing will take place with increases in income.^{24/}

V. Participant Training Activities

As suggested earlier, the need for training land reform participants in agricultural production methods is relatively low if most are experienced tenants or were previously farm operators. It increases substantially, however, if most were landless laborers, or if new technology is being introduced. Reform in South Vietnam, Japan, Taiwan, Nepal, Korea, Egypt, and India were rather "pure" forms of the tenant-land-reform.^{25/} Likewise, many of the individuals drawn into land reform activities in socialistic countries (excepting Cuba)

^{24/}For example note Dore previously cited, p. 204.

^{25/}For examples refer to: G. Parthasarathy and B. Prasada Rao, Implementation of Land Reform in Andhra Pradesh, (Calcutta: Scientific Book Agency, 1969); and Laurence I. Hewes Jr., Japan--Land and Men (Ames, Iowa: Iowa State Univ. Press, 1955).

and even Kenya had been farm operators. Farmers' training in production skills, consequently, received little attention in these cases. On the other hand a good bit of the land reform in Latin America and Algeria has treated people with relatively little farm managerial skills. Training, has thus, been more important in these areas.

Several forms have been used to direct training into land reform projects. One of these has been tying supervision or extension activities to credit. As pointed out earlier, a number of credit programs with training components have been associated with land reform. In Latin America most of the supervised credit programs, however, service a much broader clientele than just land reform participants.^{26/}

Almost all of these programs have difficulty employing technicians who can relate to peasants as well as teach them better farming methods. Few of the potential supervisors in these countries have any rural experience. Even fewer have had farm managerial experience. Little liaison is maintained between supervisors and agricultural research personnel. In the early stages of development of Colombia's supervised credit program--probably one of the best administered in Latin America--I am sure that supervisors learned much more than the borrowers; supervisors mainly monitored credit use and general farm operations.^{27/} This may be very useful and necessary in some cases; note the sharp decrease in loan defaults when supervised credit was introduced in Venezuela.^{28/} But, it is unclear as to how much supervision

^{26/}In Colombia, for example, only about 5-10 percent of the almost forty thousand supervised credit borrowers are land reform beneficiaries.

^{27/}See manuscript by D. W Adams and others previously cited.

^{28/}W. C. Thiesenhusen and others, previously cited, p. 33.

contributes to farm output. One could argue, for example, that credit rationing is the main problem and that only modest amounts of monitoring are really productive. Again, I am unable to find a single study which documents the productivity of supervision tied with credit. We have to leave as an open issue the question of what is the optimum level of supervision.

In several countries, notably Brazil, some use has been made of extension service personnel to assist with training of land reform participants. Costs of supervision as well as levels of training under this technique are generally lower than under regular supervised credit programs. And in at least Kenya, land reform participants were sent to farmer training centers for short periods after receiving their parcels of land.

Another method of training farmers which has been used in several countries is some type of joint farming venture (e.g., Chile, Peru, Colombia, and Venezuela). This is most often used when participants have been farm workers. In some cases, the farms are operated as cooperatives under close supervision of the agrarian reform agency. This may be a permanent arrangement, or only a training phase before the land is divided into individual units. In other cases, participants are moved onto individual plots but then work the land as share-tenants for the reform agency. Again, this is designed to provide a period for close training and supervision of participants before they are granted land title. I have been unable to find any studies which evaluate the effectiveness of these types of training programs. Some authors have suggested, nevertheless, that these training periods tend to be extended and difficult to terminate.

One of the best ideas for a land reform participant training program which I have seen was carried out during the late 1950's in the tobacco region of Colombia. The Colombian Tobacco Institute owned a large research farm in the heart of the tobacco growing area. They employed 70 to 100 share-tenants on this farm who actually grew the research crops. (Almost all of Colombia's

tobacco is raised on large landholdings by about 40 thousand small share-tenants.) In 1958 the Institute purchased several large landholdings and began selling parcels to share-tenants who had worked for at least two years under close supervision on their research farm. By almost any measure this project has been very successful. The average participant paid for his land and buildings in eight years, income has increased substantially, and farm capital assets have also grown. Only three or four of the original 100 settlers left the project. The Institute originally planned to extend parcelization of this type on a regular basis, using mainly tenants who had been similarly trained. The formation in 1961 of a national land reform agency, however, sidetracked the Institute's plans and no further parcelization projects were started.

Aside from the case mentioned above, I know of no other formal pre-land reform training program for potential participants.

Again, for purposes of discussion, there are several comments which might be made on training for land reform beneficiaries. First, little attention has been paid to pre-reform training programs. Likewise, little emphasis has been given to selecting only the best qualified individuals, through some pre-training activity, to enter reform programs. Both pre-training and selection should receive much more attention. Second, it is not clear how effective a transitional-joint-farming phase is in preparing future farm operators. We need more information as to the educational efficiency of this technique. Third, it is clear that training for reform participants in Latin America and Africa will be much more important than was generally true in Asia. Landless individuals are very numerous, especially in Latin America. Fourth, we do not have a very clear idea about how effective current training activities are in generating group activity. Are cooperatives and rural labor unions viable vehicles for directing and mobilizing rural interests at social and political systems?

VI. Production Supplies

A review of the changes in use of farm production supplies in countries which have experienced major land reform indicates that, where credit is available to participants, the use of fertilizer, chemicals, improved seed, and farm machinery rapidly increased (e.g., Japan, Korea, Taiwan, Iran, Egypt, Mexico, and Bolivia).^{29/} In most of the socialist countries major emphasis was placed on mechanizing the large units created through reform.^{30/} Until recently, much less emphasis was placed on fertilizer, etc.

It is difficult to tag the quantities of production supplies which have been directly associated with land reform. The cooperatives, banks, or state organizations handling these inputs generally serviced a much broader clientele than just the beneficiaries of land reform. In addition there has been a general increase in the use of these inputs in almost all countries during the past 25 years. Data to shake out the "land-reform-effect" are not available. It is probably fair to say, however, that aside from some funds used for consumption or housing, most credit granted to reform participants was spent on farm inputs. Since the funds available to these individuals prior to reform was generally insignificant, credit lent to them after reform is probably a good proxy for the volume of supplies used. As suggested earlier, economic logic suggests that land reform will provide a good deal of individual incentive for increasing input use.

^{29/} For example, refer to M. Kaihara, "On the Effects of Postwar Land Reform in Japan", Land Tenure, Industrialization and Social Stability edited by Walter Froehlich, (Milwaukee: Marquette University Press, 1961) p. 148.

^{30/} For example, see discussion of Polish reform: Jerzy Tepicht, "25 Years After", CERES, Vol. 2, No. 6, November - December, 1969, p. 40.

In a large majority of the cases, cooperatives have been used to handle supplies going into land reform activities as well as sale of goods produced. The role of the private marketing sector in this regard is not well documented. There is some indication, nevertheless, that the private sector has helped move substantial amounts of production supplies to small farmers in South Vietnam and the Philippines. In a number of cases, building a broad base of purchasing power through land reform is a prerequisite to providing any opportunity for growth in the private marketing sector. As a sidelight, I have over the past 12 years visited, on several occasions, rural areas of Japan and Taiwan and have been greatly impressed with the growth in visible signs of prosperity. The existence in rural areas of bicycles, tractors, radios, television sets, sewing machines, pots and pans, shoes, new buildings, etc., has vastly increased in both countries. If use of expendable supplies such as fertilizer, chemicals, better seeds, irrigation, etc., could be as easily seen, I am sure the growth in their use would have been equally impressive.

A substantial part of the production from land reform projects around the world is marketed through cooperatives. In some cases the private sector also plays an important, yet poorly documented role. I have not gone into detail on this point because the country papers provided little information on product marketing services. Several general comments appear to hold, nevertheless. First, cooperatives often handle marketing of both inputs and product, but have much more difficulty staying out of trouble on the product side. Product-price variation, spoilage, etc., can give cooperatives some hard economic knocks. Two, in some cases cooperatives have been unable to compete effectively with

marketing services provided by the private sector with regard to consumption goods and purchase of farm output. Three, cooperatives seem to do much better in marketing when they are handling new products which do not have fully developed commercial sales systems.

One might conclude after reviewing experience with production supplies in land reform that they are practically synonymous with production credit. The major issue is determining what institutional form is most appropriate for moving the supplies to the farmer. Can the private sector play an important part? Are there major monopolistic elements in the marketing system? Are there important inefficiencies in the private marketing sector which could be overcome by a cooperative or some other governmental agency?

VII. Aid Agencies' Role in Services and Supplies

A review of the activities of A.I.D., the World Bank group (IBRD), and the Inter-American Development Bank (IDB) shows a good deal of variation in their support for land reform. IBRD on the one hand has placed major attention on economic growth rather than equity issues. I have found few cases where IBRD has financed activities which were specifically aimed at complementing land reform. Instead, a major part of the IBRD loans for agricultural purposes in Latin America, for example, are directed at large cattle producers. (A recent series of loans to Paraguay running to tens of millions of dollars were directed at something over 500 large cattle ranchers in that country.) In those countries where negative real rates of interest are often charged on agricultural credit, IBRD funds lent to large ranchers carry significant income subsidies. In the one case (Brazil) where IBRD insisted on a positive real rate of interest by tying adjustments in principal lent to farmers to a

price index, ranchers have essentially refused to borrow the money. The paucity of land reform technicians on IBRD's staff is another indication of the lack of interest there in this topic.

A.I.D. has been somewhat more involved in land reform efforts. The U. S. Government was, of course, a land reform supporter in Japan, Korea, and Taiwan. Our government also advocated land reform as the cornerstone of the rural-poverty-resolution policy in the Alliance for Progress. A.I.D.'s predecessor agency, I.C.A., even held a conference in Chile on reform in the early 1960's. Despite the fact that most Latin American countries passed land reform laws and set up institutions to effect same shortly after the Alliance began, A.I.D. did not make a major push on this issue. A.I.D. financing for colonization became popular, and the term agrarian reform was substituted for land reform in the rhetoric of the Agency. While A.I.D. did employ a few knight-errants with land reform interests, their behavior was generally considered quixotic by mission directors. A.I.D. currently has few land reform technicians on its staff.

Soon after the Alliance began A.I.D. put major amounts of money into agricultural credit programs in Latin America. While some of this credit was channelled through reform agencies, its major impact was on individuals not associated with land reform. A good bit of this credit has gone to large landholders (e.g., cattle loans in Colombia). A.I.D. also assisted with some cadastral programs and land titling activities. On balance, however, A.I.D.'s agricultural programs have substituted for, rather than complemented land reform in Latin America.

IDB has made a much larger resource contribution to land reform than A.I.D. This is surprising since IDB lending policy is closely tied to

Latin American political pressures. One might conclude that Latin American governments, as expressed through IDB, have been more willing to assist land reform than the U.S. Government.

Land reform efforts tend to come in waves. The burst of energy initiated in this regard in Latin America with the Alliance for Progress has largely expended itself (with the possible exception of Peru and Chile). I have little doubt, however, that voluntarily or involuntarily, serious attention will be directed at this topic in the future in a number of countries (e.g., Northeast Brazil, Ecuador, Paraguay, The Dominican Republic, Colombia, and Central America).

VIII. Policy Recommendation

If a serious commitment can be again developed toward land reform there are a number of ways in which U.S. assistance could boost redistribution. When favorable circumstances arise, for example, A.I.D. could provide help to land reform agencies interested in setting up credit programs to service land reform. As already pointed out, A.I.D. has a good bit of experience in this area. Care must be taken, nevertheless, that land reform institutions do not become principally credit agencies and ignore land redistribution. A.I.D. should certainly continue to assist with credit for small farmers, but most of these funds should go through institutions other than the land reform agency.

Closely related to this credit question is the need to encourage countries to begin to mobilize much more voluntary rural savings which could be re-cycled into agricultural credit. Credit unions are a positive step in this regard, but A.I.D. needs to pay additional attention to how financial incentives might sharply accelerate these savings.

A.I.D. might also seriously consider expanding its assistance to countries for land cadastral and titling work. The mobile-titling-teams idea used in Bolivia might be extended to a number of countries. Non-revolutionary land reform is certainly much easier when complete land property records are available (e.g., Korea, Japan, and Taiwan). This groundwork can be done even though a country currently lacks land reform fervor (e.g., Brazil).

Education and training of land reform participants is another area in which A.I.D. could provide a good deal of assistance. Could a pre-reform training program such as the Colombia case discussed earlier be used to better prepare large numbers of landless workers to participate in land reform? Or, could Kenya's farmer training centers be an alternative? If so, A.I.D. might be able to make a significant input in something of this nature. Could A.I.D. also provide major assistance in rural education in areas where land reform is taking, or has taken place?

During the 1960's A.I.D., F.A.O., and I.D.B. sponsored a good bit of research on land tenure issues. This has substantially added to the body of knowledge on this issue, as well as exposed a rather large number of people to land reform. Should A.I.D. now attempt to focus this research on policy issues? This Spring Review is certainly a healthy step in this regard, but still more detailed comparative information is needed on land reform activities. For example, how much credit is generally necessary for production, housing, and consumption under what kinds of conditions? What kinds of credit terms can land reform participants tolerate? Should credit be a subsidy vehicle? What are the optimum levels of supervision to tie to credit, under what circumstances? Where do the problems of credit default lie, with the resource base of the farm,

faulty administration, or dishonesty of the borrower? What is the minimum level of expenditure for housing and infrastructure which must be included in land reform projects to make them float? What role has the private sector played in providing supplies and services to reform participants? How were participants selected and trained?

A.I.D. might also consider maintaining contact with individuals who have had extensive experience in various types of land reform activities. This should include U.S. technicians as well as foreign technicians and administrators who have helped carry out land reform. A.I.D. should be able to act as a focal point in drawing together individuals with special talents in cases where countries need specific assistance. That is, A.I.D. could provide a professional bank.

One cannot be very sanguine about the probability of A.I.D. becoming heavily committed to land reform in the near future.^{31/} The will to do so does not exist.^{32/} At best the Agency will probably only be able to direct a bit more attention to the complementary services and supplies discussed above, and be prepared to help in this way those countries who want to carry out significant land reform. Even this could be very helpful.

IX. Summary

In the preceding, an attempt was made to detail the nature of the services and supplies which are complementary to land reform activities. As might be expected, there was a good deal of difference in this regard

^{31/} For perspective, more land reform participants were thrown off their parcels in the U.S. supported Guatemalan counter-revolution in 1954 than have been settled to date by the Alliance for Progress.

^{32/} Involuntary property ownership redistribution runs against some deeply held American values. Note in this regard, Letters-to-the-Editor section of CERES November - December 1969 issue, where the head of one of the largest farmer organizations in the U.S. was thoroughly exercised by an article on land reform in Cuba.

within and among the 30 or so countries reviewed. Four groups of inputs and services were reviewed: credit, housing, and other social amenities, participant training activities, and production supplies.

It was suggested that credit, especially for production, was a vital part of most land reform efforts. Funds for consumption and housing appear to be less critical. Most of this credit has been associated with some type of cooperative. These same cooperatives have done relatively little on mobilizing local capital; most credit funds are provided to the cooperative from outside sources.

Investments in housing and other social services did not appear to be critical in land reform programs. Most housing does not contribute directly to increasing income, and it is also rather expensive. For these reasons a number of countries have placed relatively little emphasis on dwellings.

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Most of the participant training programs have been tied to credit, or organized around joint-farming efforts. Little emphasis has been placed on pre-training, or pre-selection of participants in land reform.

A major part of the production supplies are identical with the institutional credit provided. Most of these move through government agencies and/or cooperatives. The private sector, with a few exceptions, is apparently playing a rather small role to this point.

Neither A.I.D., The World Bank Group, nor the Inter-American Development Bank (IDB) has placed high priority on land reform in their lending programs. In Latin America A.I.D. has tended to stress credit in its rural efforts, the World Bank, livestock loans, and IDB a variety of rural projects. Neither A.I.D. nor the World Bank has

* Extension and other farmer training.

a significant number of land reform technicians on their staffs.

If the International agencies do place a higher priority on land reform they will probably make their largest contribution through helping to provide complementary services and supplies.