

## **Banking on the Rural Poor? : Critical Insights and Policy Questions on Foreign Aid and Agrarian Reform in the Philippines**

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**ABSTRACT:** Foreign aid for agrarian reform funding has claimed to address rural poverty and agricultural stagnation and food security (e.g. Canadian aid). This paper examines agrarian-related overseas development assistance (ODA) to the Philippines to reveal that such aid its ebb and flow—one that follows the internal policies and priorities of the development agencies, the development policies, strategies and socio-political and economic context of its borrowing member countries/presidential priorities. But also such type of ODA is contingent of other factors such as global socio-economic and political environment, global trends in development financing, pressures from powerful countries, domestic elites, social movements and civil society or specific political conjuncture. As a result, short-time considerations override a long-term approach that would address rural poverty and land inequality.

**KEYWORDS:** international assistance, land reform, CARP, rural development

### **Introduction:**

Philippines agriculture and agrarian sectors have been plagued by recurring problems of low productivity, declining rural incomes, and diminishing share of agriculture in total economic output or gross domestic product. Compared to industry and services, agriculture showed a steady decrease from 30.4% in 1971-1975 to only 20.2% in 2001-2005). Similarly, employment share of the agriculture is diminishing— from 51.4% or more than half of the population in 1980, it decreased to 35.8% or roughly 12 million people in 2006.

These bleak conditions are reflective of a bigger problem in the countryside: *pervasive and persistent poverty*. Characterized by disparity of income and wealth, poverty as reflected in rural realities largely means inequitable access to and control of land and other productive resources. Rural folks, majority of which are women, comprises the poorest people in the country (in 2006, an average 47% were considered to be living in poverty).<sup>1</sup> The highest poverty incidence is found among corn farmers (41%); rice and corn workers (36%); sugarcane farm workers, coconut farm workers, forestry workers (33%); and fishermen (31%)<sup>2</sup>. Poverty incidence is also high among landless agricultural workers and farmers cultivating small plots of lands and in areas where the concentration of land ownership remains with a few prominent clans.

In 1996, the World Food Summit in Rome recognized that access to land and security of tenure were critical to rural poverty alleviation and a hunger-free world. For many rural folks, land is life. This view was revalidated at the 2006 International Conference on Agrarian Reform and Rural Development (ICARRD) organized by the

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<sup>1</sup> See National Statistical Coordination Board website, [www.nscb.gov.ph](http://www.nscb.gov.ph).

<sup>2</sup> Philippine Council for Agriculture, Forestry and Natural Resources Research and Development (PCARRD), 2003.

Food and Agriculture Organization and hosted by the Government of Brazil. Agrarian reform and rural development, according to ICARRD, play an essential role to “promote sustainable development, which includes, *inter alia*, the realization of human rights, food security, poverty eradication, and the strengthening of social justice, on the basis of the democratic rule of law”.<sup>3</sup>

Agrarian-related ODA to the Philippines has had its ebb and flow—one that follows the internal policies and priorities of the development agencies, the development policies, strategies and socio-political and economic context of its borrowing member countries/presidential priorities. But also, other factors such as global socio-economic and political environment, global trends in development financing, pressures from powerful countries, domestic elites, social movements and civil society or specific political conjuncture. As a result, short-time considerations override a long-term approach that would address rural poverty and land inequality.

### **An Unfinished Business**

In the Philippines, the recent extension and reform of the Comprehensive Agrarian Reform Program or CARPER underscores the importance of the unfinished business that is agrarian reform. Under CARP, eight million hectares or 83 percent of total agricultural lands are to be given to more than six million landless farmers and farmworkers. At the heart of CARP, as enshrined in the 1987 Constitution, is the redistribution of land, wealth, income, and power to millions of Filipino families who have long labored under unequal relations with their landlords.

Foreign aid for CARP funding has claimed to address rural poverty, agricultural stagnation and food security (e.g. Canadian aid). Most of the donors prize a demand-driven approach and national ownership, i.e. securing the commitment from and ownership by the beneficiaries and recipient government. Such an approach is consistent with the 2005 Paris Declaration on Aid Effectiveness. The Paris Declaration, which aims at improving the effectiveness and efficiency of the development assistance to developing countries, emphasizes the importance of “ensuring strong national ownership of development strategies, enhancing alignment of donor support to national plans and systems, establishing greater harmonization among donors, managing aid in a way that achieves real and measurable results, and creating a harmonization framework of mutual accountability for donors and partners countries”<sup>4</sup>. Such position would imply that a high degree of participation by beneficiaries and their communities has to be part of the package for agrarian-related ODA.

Figures from the National Statistics Office’s 2002 survey show that 348,297 household members engaged in agricultural activity still worked in landholdings not their own. Until now, the Department of Agrarian Reform, the main agency tasked to implement CARP, has yet to substantially complete the distribution of 1.102 million hectares of agricultural

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<sup>3</sup> See [www.icarrd.org](http://www.icarrd.org).

<sup>4</sup> See Paris Declaration on Aid Effectiveness and Accra Agenda for Action, [http://www.oecd.org/document/18/0,3746,en\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,3746,en_2649_3236398_35401554_1_1_1_1,00.html), accessed in February 25, 2011.

lands. According to government plans, this will have to be done in the remaining four years of CARPER since the land acquisition and distribution component of which will end by June 30, 2014. This will need an important political leadership as 94% of these are private agricultural lands, more than one-third of which are large landholdings (*above 24 hectares in size*). In the plans, 62% will be acquired through compulsory acquisition, which is the main mode of acquisition of the program while another 25% are classified as problematic. For its part, the Department of Environment and Natural Resources (DENR), on the other hand, still needs to redistribute 400,000 hectares of non-private agricultural lands (see table 1).

Table 1: CARP’s Changing Land Distribution Scope and Accomplishment, 1972-2010 (in million hectares, rounded figures)

	DAR	DENR	CARP Total
Original Scope 1988-94	3.8	6.3	10.1
Revised Scope 1997	4.3	3.8	8.1
Inventory of CARP Scope 2006	5.2	3.8	9.0
LAD Accomplishment as of December 2010	4.1	3.4	7.5
% Accomplishment	78.8	89.5	83.3
Beneficiaries Accomplishment	2.3	2.2	4.5
LAD Balance	1.1	.4	1.5

*Source: Presidential Agrarian Reform Council, DAR Planning Service.*

While the accomplishment of both DAR and DENR looks sizable, the accuracy of which is still under question, the remaining balance of private agricultural lands is deemed as the “meat” of the program. The most contested landholdings, most of which are in the Visayas and Mindanao, remain the biggest challenge. The top 20 provinces account for 70% of LAD balance and Negros Occidental has highest LAD balance accounting for 12.3% of total or 144,861 to be distributed to more than 90,000 farmer beneficiaries. The province is considered as an agrarian hotspot and bastion of landlordism where landlord resistance (sugarcane barons) is most sever and marked with intense agrarian-related violence and conflicts.

Support services provision such as access to credit, seeds, inputs, etc. is a necessary component for the success of CARP’s development objective. Ensuring the economic viability of the redistributed farms is central to the rural poor’s autonomy, social inclusion and political empowerment, and capacity to feed themselves and the country.

### **Overseas Aid for Agrarian Reform**

Addressing land redistribution and support services requires substantial funding. More than Php130 billion (about 3.35 billion US\$) was allotted to the implementation of the program since its inception in 1988 or an annual average of Php 6.5 billion (162.5 million US\$). Recently however, the program suffered a budget slash, from the proposed Php 20 billion (500 million US\$) to Php 16 billion (400 million US\$), under the new Aquino administration. Budget cuts are political barometers for the degree of (non) prioritization of government programs. The budget cut, unfortunately, comes at a time when the

program sorely needs funds to swiftly and decisively complete land redistribution by 2014. Clearly, such a move has far reaching consequences for new and old agrarian reform beneficiaries since a big portion of the cut was earmarked for credit and initial capitalization, a new provision under CARPER.

The lack of funding commitment from the national government has in the past and even presently increased reliance on official development assistance (ODA), especially for support services provision. According to the Organization for Economic Cooperation and Development, ODA are “flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character.”<sup>5</sup> The concessionality provision means that loans should have a grant element of at least 25%. ODA sources can come from multilateral (e.g. World Bank, Asian Development Bank, UN bodies), bilateral (USAID, JICA/JBIC, GTZ), or international private organizations, voluntary agencies and international research organizations.

Since the early 90s, agrarian-related ODA to the Philippines has significantly increased (see Table 2). This is already substantial when compared to the total CARP approved budget for the last 20 years. By ‘marketing’ agrarian reform communities (ARCs), DAR under former secretary Ernesto Garilao was able to secure the trust and confidence of foreign donors. ARCs are “barangays or cluster of barangay or villages primarily composed and managed by agrarian reform beneficiaries that are willing to be organized and undertake the integrated development of an area and/or their organizations/cooperatives”<sup>6</sup>. This area-focused rural development strategy involves the employment of support services (credit and technical assistance) and infrastructure (rural roads, potable water and communal irrigation) to maximize farmers’ productivity.<sup>7</sup> Since 1992, DAR has generated more than Php 76 billion (1.9 billion US\$) for 61 projects (54 completed and 7 on-going) and 20 pipelines worth Php 41.367 billion (1.03 billion US\$) in ODA loans and grants.

**Table 2: Status of Resource Mobilization, 1992-2010**

Projects/ Types of Assistance	No. of Projects	Total Cost (Php Million)			Total
		Loan	Grant	GOP*	
Completed	58**	21,268.34	6,183.50	10,343.	37,795.74
Ongoing	7	29,614.91	337.68	8,898.95	38,851.54
<i>Capital Assistance</i>	5	29,614.91	317.68	8,890.95	38,823.54
<i>Technical Assistance</i>	2	-	20.00	8.00	28.00
<b>Subtotal</b>	<b>61</b>	<b>50,883.25</b>	<b>6,521.18</b>	<b>19,242.85</b>	<b>76,647.28</b>
In the pipeline	20	29,929.37	2,211.16	9,227.03	41,367.56

\*Government of the Philippines

<sup>5</sup> OECD, *Glossary of Statistical Terms*, <http://stats.oecd.org/glossary/detail.asp?ID=6043> (accessed on March 20, 2011)

<sup>6</sup> RA 6657, Comprehensive Agrarian Reform Law, Chapter 9, Section 36.

<sup>7</sup> De Guzman, M., Garrido, M., Manahan, M. (2004) “Agrarian Reform: Promise and Reality” in the Anti-development State: Political Economy of Permanent Crisis in the Philippines by Walden Bello, et. al., UP Department of Sociology and Focus on the Global South, Philippines Programme.

*\*\* includes Integrated Programme for the Empowerment of Indigenous Peoples and Sustainable Development of Ancestral Domains, which was transferred to NCIP on its 3<sup>rd</sup> year of implementation. Source: DAR ODA Portfolio Review, December 31, 2010.*

### **Key Trends and Critical Issues**

In sustaining CARP, there are several trends and issues that have emerged over the years and which warrant a closer examination.

*ODA loan-grant mix:* Since 1992, the total loan-grant mix is highly skewed in favor of the former, with 66.39% share of loans and 8.51% from grants, the remaining 25.11% came from the Philippine government's counterpart, in cash or in kind through the DAR, other national government agencies, local government units and/or beneficiary-farmers and their organizations or cooperatives (see table 2). Of the total 61 foreign-assisted projects, 32 projects with total investment requirements of Php 88.015 billion (2.20 billion US\$) passed through the Investment Coordination Committee-deliberation and approval process of the National Economic and Development Planning (NEDA). A key observation here is that heavy reliance on ODA has its downside of course. Foremost of which is that it contributes to the debt accumulation of the government. For 2008, for example, DAR was responsible for Php 21 billion (525 million US\$) of the country's foreign debt.

*Focus on rural infrastructure:* According to DAR, the provision of rural infrastructure can promote equitable agricultural development and foster rural growth. Since 1995, a total of 4,751 sub-projects worth Php22 billion went to infrastructure development such as farm to market roads, irrigation systems, post-harvest facilities, potable water systems, and solar dryers. Such projects aim to integrate the ARCs into the national economy. Almost 40% of the completed sub-projects came from the Japan Bank International Cooperation (JBIC), the World Bank (WB) contributed 23%, and the Asian Development Bank (ADB) accounted for 17%. Reflecting the national ODA allotment, half of the sub-projects involved the construction of farm-to-market roads and bridges, while 26% went to irrigation facilities, and 16% to social infrastructures such as potable water supply and sanitation systems, health centers, school buildings, and rural electrification. DAR estimates a total of 556,874 agrarian reform beneficiaries (ARBs) in 913 agrarian reform communities (ARCs) have directly benefited from the completed physical infrastructure, 80% of which are beneficiaries of farm-to-market roads in 693 ARCs. This figure comprises 63% of the total ARBs that benefited from agrarian-related ODA and 74% of the total ARCs. This seeming feat, however, needs to be balanced with social and political dimensions of agrarian reform. Such infrastructure-related projects, while urgently necessary in ARCs, can only be successful and sustainable if coupled with non-physical infrastructure components such as organizing and capacity building for agrarian reform claimants and rights advocacy groups. While community and institutional development support, agricultural productivity and rural enterprise development, basic social services, land tenure improvement, and gender and development are components of agrarian-related ODA, they have take a back seat. For instance, only 282,636 ARBs were organized into formal associations and 103, 067 ARB leaders were provided with training activities on organizational management, agricultural and post-production technologies, and enterprise planning, implementation, and management under the

community and institutional development program. This represents 32% and 12%, respectively, of the total ARBs reached by ODA. While there are more ARCs covered under this component (1,176 for community and institutional development support, 1,078 for agricultural productivity and rural enterprise development, and 961 for basic social services), it is still a lackluster performance compared to the physical infrastructure component.

*World Bank as the trend setter in agrarian reform ODA policy:* The WB has the most developed land policy in agrarian reform, rural development and agriculture since the 1960s. It sets the tone—both in policy direction, framework setting and rural development lending not only in the Philippines but also worldwide. From 1960s to 1980s, the WB land policy framework for the Philippines was firmly framed within its global fight against communist revolutions and its promotion of the market-based, technology-driven Green Revolution, and which served as guideposts for its massive support to the Marcos regime.<sup>8</sup> From the 1980s to 1990s, the WB aggressively promoted and funded the structural adjustment programs and provided modest support to the infrastructure project for CARP. The mid-90s saw an anti-CARP positioning and piloting of its own version of land reform. This of course presents a serious problem especially when the WB expressed interest in land distribution through the market-assisted land reform (MALR) and land administration and management projects. The MALR, which operates in a “willing buyer-willing seller framework” and land transfer through the market, has undermined land redistribution potential of CARP. A home-grown version, the World Bank-funded Community-Managed Agrarian Reform and Poverty Reduction Project (CMARPRP) was marked by highly questionable land transactions (with landlords and corrupt bureaucrats continue to press for the voluntary land transfer mode to evade CARP and with relatives of landowners ending up as beneficiaries), inappropriate projects, and interventions by landlords and speculators. For another, CMARPRP has strings attached to it (i.e. tied aid) that may not be the best approach to CARP effectiveness.

*Contested impacts:* The extent of agrarian-related ODA’s impact on the agrarian reform process is a contested terrain. While DAR reports more than 884,000 beneficiaries in 1,284 ARCs, this is a measly 35% of the total 2.3 million ARBs of CARP. As most of the sub-projects are construction-related, which are labor-based, the estimated total employment generated from this intervention reached 398,089 jobs (or only 45% of the total ODA land reform beneficiaries). What the DAR official report fails to mention is the non-sustainability of such short-term jobs and whether ODA projects have generated more long-term employment opportunities for ARBs.

DAR assumes that the cumulative effect of project interventions under its foreign assisted projects drive the positive change in the overall socio-economic conditions of land reform beneficiaries in ARCs, in effect improving their quality of life. As of December 2009, there was a recorded increase in average annual household income in nominal terms from 19% to 49% or Php 20,656 (516 US\$) to Php 71,778 (1,794 US\$).<sup>9</sup> This is based on its

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<sup>8</sup> For the complete study, see Borrás, Carranza, Franco and Manahan

<sup>9</sup> DAR ODA Portfolio Review, Executive Summary, p. ii.

baseline survey of six projects covering 69 provinces, 388 ARCs and close to 200,000 land reform beneficiaries. This is a welcome development but not enough when compared to the average annual household income at 2006 prices of Php 172,000 (4300 US\$).

In a similar vein, the ARCs as a main mechanism for DAR's extension of support services remain inadequate. Two-thirds of beneficiaries remain outside the ARCs and are therefore unreached by ODA projects. But more than this, evaluating the impact of agrarian-related ODA viz. their avowed objectives (of rural poverty alleviation and agricultural modernization) is much more difficult. There might be scattered gains at the very local level but the overall process and outcome of the projects remain problematic. Since many of them are focused interventions in ARCs, which are specialized communities, it is next to impossible to provide a one-to-one cause and effect of the ODA-funded projects. Add to this the questionable direct correlation between ODA support and land tenure improvement since most donor agencies shy away from funding land transfer. This is largely due to the perception that land markets will be distorted if ODA money is channeled to landowners' compensation. If they do fund land tenure improvement, it is either in the form of WB-type of market-assisted land reform or just to subdivide collective land titles.

*Intentions vs. interventions.* Despite definite project gains, the continuing problems of many projects are actually about structural and institutional contradictions. At the level of reducing poverty among the poorest of the rural poor, most of the agrarian-related projects, unfortunately has systematically neglected their specific socio-economic context and political articulations. According to Quitarano (2009), an "integrated approach to poverty alleviation without politics of land tenure is bound to fail". Similarly, the complexity of rural poverty and power relations in the rural areas is unfortunately blindsided by ODA in favor of the more technical and technocratic requirements of anti-poverty and governance projects.

Financing for agrarian reform and rural development is no doubt an arena of social and political contestation. ODA funds for CARP to a large extent remain significant but far from adequate and in many instances inappropriate (see Table 3).

**Table 3: CARP Approved Budget vs. NEDA-Investment Coordination Committee-Approved DAR Foreign Assisted Projects (FAPs), 1995-2007 (in PhP Million)**

<b>Year</b>	<b>CARP Approved Budget</b>	<b>ICC-Approved DAR FAPs</b>
1995	4,602.75	4,000.17
1996	7,068.54	4,920.58
1997	6,033.75	611.62
1998	5,250.34	9,420.72
1999	5,070.23	6740
2000	10,065.96	4,152.13

2001	6,731.31	2,540.67
2002	5,976.44	5,921.96
2003	3,454.13	600.46
2004	9,048.86	0
2005	8,232.91	1,460.21
2006	7,060.48	19,707.4
2007	8,779.16	8,647.21
<b>Total</b>	<b>103,946.14</b>	<b>68,723.13</b>

*Source: DAR ODA Portfolio Review, March 31, 2008; DAR Budget. Also see Borrás Saturnino, Manahan, Mary Ann, and Tadem, Eduardo, "Foreign Aid and CARP Extension", Philippine Daily Inquirer, July 5, 2008.*

### **Conclusion: Rethinking Aid for Agrarian Reform**

ODA is about power and bargaining. Institutionally, development agencies and DAR organizational imperatives (i.e. bureaucratic mechanisms and processes) influence the implementation but one must also consider the absorptive capacity of local government units and the high transaction cost of managing diverse interests of the various players—from the implementers, donors to the end-users. This of course puts to question the flexibility of the Philippine government in its policy direction and choices as well as its sovereignty in decision making. With such a context and process of political negotiations, the significant value of ODA remains in the realm of politics. Those in power can influence where the money goes and who gets the money, making the development intervention vulnerable to corruption, political patronage, and anti-reform forces.

There are certainly challenges and implications for land rights advocates and ODA watchers. For one, the thrust of ODA and their responsiveness to agrarian reform objectives need to be critically examined. For example, can ODA really facilitate the transfer of wealth and power from the landed to the landless and near-landless? In what conditions will this happen? Secondly, the utilization of aid must be seen from a needs-based to rights-based perspective. This means asking questions of how, why and where are funds utilized for whose rights. Such a framework can guide the targeting of beneficiaries and ensuring equity and gender-just interventions including identifying the appropriate sectors, geographical scope, beneficiaries, components (loan-grant ratio). A differentiated, locally appropriate, culturally sensitive and localized approaches must be explored and not rely on the same project design, which are used by all ODA-related interventions.

Equally important, the government both at the national and local levels must address the policy contradictions that have emerged from years of ODA project implementation. This includes (a) rationalizing government's policy of passing on the foreign donor community the responsibility of funding agrarian reform; and (b) coherence of government's macroeconomic policies with agrarian reform, i.e. a policy environment of liberalized agriculture, privatization of support services, and bias for agribusiness over smallholder agriculture.

For such development interventions to really work, a strong social rural social movement or accumulation from below is but necessary. National ownership, accountability and real participation can only mean something if agrarian-related ODA takes into account that partnerships are based on the recognition that power is differentially distributed among different interest groups at the grassroots level. In other words, put an emphasis and bias to the landless and near-landless cultivators and provide them with enough space and opportunities to take an active role in pursuing their rights to land, food and other productive resources. By so doing, the impacts and value of ODA can hopefully take root and gain ground.

MARY ANN MANAHAN is a research associate with Focus on the Global South, Philippines Programme. This research note builds on a collaborative piece, “Foreign and CARP Extension” by Saturnino Borras, Jr., Mary Ann Manahan, and Eduardo C. Tadem, which first appeared in the Philippine Daily Inquirer’s Talk of the Town, July 5, 2008. This is also part of an ongoing policy-oriented study on ODA and agrarian reform in collaboration with several researchers and with the Asian regional office of the Belgian Coalition of North-South Movements or the “11.11.11-Pilipinas” and the Focus on the Global South.

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