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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—for example, Canadian aid—has claimed to address rural poverty, agricultural stagnation, and food security. This paper examines agrarian-related overseas development assistance (ODA) to the Philippines to reveal that such aid has had its ebb and flow—one that follows the internal policies and priorities of development agencies, and the development policies, strategies, and sociopolitical and economic context of its borrowing member countries. Such type of ODA is also contingent on other factors such as global socioeconomic and political environment; global trends in development financing; and 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

The Philippine 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 percent in 1971-1975 to only 20.2 percent in 2001-2005. Similarly, employment share of agriculture is diminishing. From 51.4 percent or more than half of the population in 1980, it decreased to 35.8 percent or roughly twelve 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 and control over land and other productive resources. Rural folks, majority of which are women, comprise the poorest people in the country. In 2006, an average of 47 percent were considered to be living in poverty.[1] The highest poverty incidence is found among corn farmers (41 percent); rice and corn workers (36 percent); sugarcane farm workers, coconut farm workers, forestry workers (33 percent) and fisherfolk (31 percent) (PCARRD 2002). Poverty incidence is also high among landless agricultural workers and farmers cultivating small plots of lands and in areas where the concentration of landownership remains with 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 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."[2]

Agrarian-related overseas development assistance (ODA) to the Philippines has had its ebb and flow—one that follows the internal policies and priorities of the development agencies, and the development policies, strategies, and sociopolitical and economic context of its borrowing member countries. Such type of ODA is also contingent on other factors such as global socioeconomic and political environment; global trends in development financing; and 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 with reforms of the Comprehensive Agrarian Reform Program (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—for example, Canadian aid—has claimed to address rural poverty, agricultural stagnation, and food security. Most of the donors prize a demand-driven approach and national ownership—that is, 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" (OECD, n.d.). 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 who were engaged in agricultural activity still worked in landholdings that are not their own. Until now, the Department of Agrarian Reform (DAR), the main agency tasked to implement CARP, has yet to substantially complete the distribution of 1.102 million hectares of agricultural lands. According to government plans, this will have to be done in the remaining four years of CARPER since the land acquisition and distribution (LAD) component will end by June 30, 2014. This will need an important political leadership as 94 percent of these are private agricultural lands—more than one-third of which are large landholdings (above twenty-four hectares in size). In the plans, 62 percent will be acquired through compulsory acquisition, which is the main mode of acquisition of the program, while another 25 percent are classified as problematic. For its part, the Department of Environment and Natural Resources (DENR) still needs to redistribute four hundred thousand hectares of nonprivate agricultural lands (see table 1).

While the accomplishments of both DAR and DENR look 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

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.

most contested landholdings, most of which are in the Visayas and Mindanao, remain the biggest challenge. The top-twenty provinces account for 70 percent of LAD balance, and Negros Occidental has the highest LAD balance accounting for 12.3 percent of the total or 144,861 hectares to be distributed to more than ninety thousand farmer beneficiaries. The province is considered as an agrarian hot spot and bastion of landlordism where landlord resistance to sugarcane barons is most severe and marked with intense agrarian-related violence and conflicts.

Support-services provision—such as access to credit, seeds, inputs, etc.—is a necessary component to 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 PHP 130 billion (about USD 3.35 billion) was allotted to the implementation of the program since its inception in 1988 or an annual average of PHP 6.5 billion (USD 162.5 million). Recently, however, the program suffered a budget slash, from the proposed PHP 20 billion (USD 500 million) to PHP 16 billion (USD 400 million), 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 (ARBs) 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, especially for support-services provision. According to the Organisation for Economic Co-operation and Development (OECD), 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" (OECD 2003). The concessionality provision means that loans should have a grant element of at least 25 percent. 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 1990s, 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 twenty 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 barangays 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."[3] 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 (De Guzman, Garrido, and Manahan 2004). Since 1992, DAR has generated more than PHP 76 billion (USD 1.9 billion) for sixty-one projects (fifty-four completed and seven ongoing) and twenty pipelines worth PHP 41.367 billion (USD 1.03 billion) in ODA loans and grants.

Key Trends and Critical Issues

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

ODA loan-grant mix

Since 1992, the total loan-grant mix is highly skewed in favor of loans, accounting for 66.39 percent. The share of grants accounted for 8.51 percent, and the remaining 25.11 percent 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 sixty-one foreign-assisted projects, thirty-two projects with total investment requirements of PHP 88.015 billion (USD 2.20 billion) passed through the Investment Coordination Committee deliberation and approval process of the National Economic and Development Authority (NEDA). A key observation here is that heavy reliance on ODA has its downside. 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 (USD 525 million) 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 subprojects worth PHP 22 billion went to infrastructure development, such as farm-to-market roads, irrigation systems, postharvest facilities, potable water systems, and solar dryers. Such projects aim to integrate the ARCs into the national economy. Almost 40 percent of the completed subprojects came from the Japan Bank International Cooperation (JBIC). The World Bank contributed 23 percent, and the Asian Development Bank (ADB) accounted for 17 percent. Reflecting the national ODA allotment, half of the subprojects involved the construction of farm-to-market roads and bridges, while 26 percent went to irrigation facilities and 16 percent to social infrastructures, such as potable water supply and sanitation systems, health centers, school buildings, and rural electrification. DAR estimates that a total of 556,874 ARBs in 913 ARCs have directly benefited from the completed physical infrastructure, 80 percent of which are beneficiaries of farm-to-market roads in 693 ARCs. This figure comprises 63 percent of the total ARBs that benefited from agrarian-related ODA and 74 percent 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 nonphysical 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 taken a backseat. 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 postproduction technologies, and enterprise planning, implementation, and management under the community and institutional development program. This represents 32 percent and 12 percent, 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 trendsetter in agrarian reform ODA policy

The World Bank has the most developed land policy in agrarian reform, rural development, and agriculture since the 1960s. It sets the tone in policy direction, framework setting, and rural development lending not only in the Philippines but also worldwide. From the 1960s to the 1980s, the World Bank 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.[1] From the 1980s to the 1990s, the World Bank 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 World Bank 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 the land redistribution potential of CARP. A homegrown 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 continuing 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—that is, 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 percent of the total 2.3 million ARBs of CARP. As most of the subprojects are construction-related, which are labor-based, the estimated total employment generated from this intervention reached 398,089 jobs, or only 45 percent of the total ODA land reform beneficiaries. What the DAR official report fails to mention is the nonsustainability of such short-term jobs and whether ODA projects have generated more long-term employment opportunities for ARBs or not.

DAR assumes that the cumulative effect of project interventions under its foreign-assisted projects drives the positive change in the overall socioeconomic 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 percent to 49 percent or PHP 20,656 (USD 516) to PHP 71,778 (USD 1,794).[2] This is based on its 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 (USD 4,300).

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—that is, 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 World Bank–type of market-assisted land reform or subdivided 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, have systematically neglected their specific socioeconomic context and political articulations. According to Quitoriano (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 antipoverty 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).

Conclusion: Rethinking Aid for Agrarian Reform

ODA is about power and bargaining. Institutionally, development agencies and DAR organizational imperatives (that is, 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,

Table 3. CARP-approved budget vs. NEDA Investment Coordination Committee–approved DAR foreign-assisted projects (FAPs), 1995-2007 (in PHP million)

Year	CARP-approved Budget	ICC-approved DAR FAPs
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	6,740
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
Total	103,946.14	68,723.13

Sources: DAR ODA Portfolio Review, March 31, 2008; DAR Budget; Borras, Manahan, and Tadem (2008).

making the development intervention vulnerable to corruption, political patronage, and antireform forces.

Certainly, there are 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? Second, the utilization of aid must be seen from a needs-based to a 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, and components (i.e. loan-grant ratio). Differentiated, locally appropriate, culturally sensitive, and localized approaches must be explored, instead of relying 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 to the foreign-donor community the responsibility of funding agrarian reform; and (b) coherence of government's macroeconomic policies with agrarian reform—that is, 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 rural social movement or accumulation from below is 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 on and privilege 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.

Notes

1. For the complete study, see Borras et al. (2009).
2. DAR ODA Portfolio Review, Executive Summary, ii.
3. RA 6657, Comprehensive Agrarian Reform Law, chapter 9, section 36.

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