

## For Reference/Citation

Muñoz, Lucio, 2001. "*The Search for Equity in Access to Land in Latin America: Which are the Main Characteristics that Define a Sustainable Land Reform Model?*", REDES, Costa Rica, C.A.

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## **The Search for Equity in Access to Land in Latin America: Which Are the Main Characteristics that Define a Sustainable Land Reform Model?**

By

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### **Abstract**

The characteristics that define a sustainable land reform model have never been systematically explored to my knowledge through the development of a general theoretical standard where equity in access to land is reflected by the need to provide both ownership and renting choices to the target population at the same time. The goal of providing ownership rights appears to be the one behind non-market and market approaches all over Latin America. The main goal of this paper is to develop and present this sustainable land reform framework in order to point out its most relevant characteristics and implications. And finally, some important conclusions are provided.

### **Introduction**

The use of land reforms as means to attack poverty has always been a hot topic in Latin America, especially in countries where land concentration is more acute. Demands to access land have led to violent conflicts in the region making land a key political issue (Benton 1999). The issue of how land reforms should be implemented is also a very divisive one. In the 1980s, historical justifications were used to implement social or government tools in Latin America such as land invasions, land confiscation, land expropriations, and redistribution of government held land as the initial move toward land reforms.

Since the 1990s, Latin American countries used or are using market justifications to suggest or promote the buy and sell approach as the first step in the reform process either by the government or by those supported by government programs. As indicated by De Janvry et al (2001), access to land ownership followed two steps in the past two decades, non-market-based redistributions took place first, and then the approach has been moving toward the use of market mechanisms. In Central America,

land reform processes have moved too from traditional process to market-based process since the 1990s(Molina 2001).

Non-market approaches are considered politically difficult in Latin America and expensive, but they can reach more poor people while market approaches are considered politically feasible even under unchanging conditions and more effective, but they reach only those who can afford their participation in the market, which is not the majority. Regardless of the type of reforms implemented in Latin America, all of them appear to be directly or indirectly related to the historical process of land conversion from collective uses to private uses, and all of these reforms appear to be directed at ensuring equity in access to land ownership only to specific groups and/or subgroups within non-indigenous beneficiaries and indigenous beneficiaries, leaving out the issue of equity in access to land renting to members of those groups.

Below aspects related to the evolution of land ownership in Latin America to the point where land reforms become desirable interventions to poverty forces and/or to pro-poverty governments are described.

### **The communal origin of land tenure**

In Latin America, the original land use was communally based. Before European contact, members of the indigenous communities had the rights to use communal lands according to communal rules, and there was no need to have legal communal title for the land as they were the only inhabitant and therefore they were their own bosses.

Lyons(2001) points out that over the last four and a half centuries, communal lands structures and indigenous cultures have been reshaped by the colonial processes under which they fell in.

### **The privatization of communal lands**

As a result of these colonial processes, the world of only communal lands was changed for ever as they started a dynamic process of conversion of communal lands to privately held land to satisfy the local demands of an increasing number of new comers or started the concentration of communal lands in government hands. To justify more conversion of communal land to private uses, usually communal lands were seen or are portrayed as being subjected to economically inefficient uses. For example, Deere and Deleon(2001) report that claims of inefficient uses were behind the privatization of collective holdings in Chile.

The transformation of the land system through time led to the development of country systems composed of privately, publicly, and communally held land, a dynamic system that was controlled by geographical, market, and technological limitations.

### **The concentration of privately held lands**

As the size of land holdings became a prerequisite to political and/or economic power in Latin America, a process of land concentration ensued in most countries where a few families or elite groups gained access and control of as much additional communal and privately held land as possible. This process of land concentration was fuelled by

lower geographical barriers(e.g. lower transportation costs), more access to foreign markets(e.g. entry into the international agricultural market), and less technological limitations(e.g. better production techniques or crops).

The resulting concentration of lands(privately and communally held) in few hands or few enterprises led to the problem of land holding inequity, and to a system that is known or was known in most places as the Hacienda System, characterized by the uneven interaction of the owners(hacendados) and those confined as labour living in the hacienda(colonos); and where the owner is the manager of all activities(Sobhan 1993).

It is this inequity in land ownership or concentration of land in few stakeholders, which usually inspires sentiments of social justice and economic change all over Latin America, especially calls for agrarian and land reforms. The need to replace the hacienda system that resulted from the levels of land concentration started in the 1930s with the introduction of coffee plantations for a more egalitarian system was the initial stone supporting agrarian and land reforms pressures in El Salvador since then(Pelupessy 1997).

### **The search for equity in access to land**

This search for equity in access to land between and within economic groups comes in many forms in the same or different Latin American countries. In some countries demands for access to land come mainly from communal groups; in other countries the demands for change come from the landless, the poor, or the middle class; and in some countries calls for equity comes from all fronts at the same time.

Now, the need to incorporate women's rights to access to land to end discrimination in land reform systems toward them is being incorporated in the planning and implementation of land reforms of many Latin American countries except Mexico(Deere and Deleon 2001). The way each group of beneficiaries press its demands varies, but the message is clear, they want to have access to land ownership. The way those holding land concentration process maintain and/or expand their holdings varies too, and the message is clear too, they want to keep the status quo of ownership unchanged or they want the affected lands returned to them.

As political and economic power is usually associated with land concentration, land reforms are usually processes in which the dominated component of the system is pressing the dominant component of the system for access to land ownership, which leads to situations where government intervention must take place, whether it is supporting one side or the other. When governments were or are on the side of the poor, land expropriations or land redistribution or land confiscation were or are the main ways to address access to land issues. When governments are on the side of the rich, official opposition to land reforms was or is common; affected lands have been or are being returned to original owners; or monetary compensation to affected parties has been awarded or it is being contemplated.

Sobhan(1993) classifies Latin American agrarian reforms in three groups based on impact on social transition and the degree of egalitarianism: radical agrarian reforms leading to egalitarian land distribution and social transition(Cuba); non-egalitarian agrarian reforms affecting social transition(Mexico, Bolivia, Peru, and Nicaragua); and non-egalitarian agrarian reforms without a social transition(Chile,

Ecuador, Colombia, Venezuela, El Salvador, Honduras, Costa Rica, Guatemala, and Panama).

### **The sustainability of the view of focusing on land ownership alone**

It is clear that access to ownership choices was and continues to be the main goal of most agrarian demands and reforms in Latin America. No much importance has been given or is being given to another form of access to land: that of access to choices of renting suitable land instead of owning it.

The inclusion of renting choices in land reform processes (market/ non-market) may decrease the initial cost of implementation and may provide more flexibility to everybody involved in terms of initial capital/investment needs, and therefore it may allow the allocation of more government money to provide the programs needed to properly support and manage these reforms.

### **The need to create segmented markets to maximize land access opportunities**

If land reforms are implemented under a non-segmented market, it means that the country or system will have to provide ownership and renting choices for both the rich and the poor at the same time under the same rules, which would tend to work against the poor and which should be expected to push the scale toward land concentration in the long-term. This is simply because under non-segmented market conditions, the poor can not compete with the rich in terms of retaining rights to land ownership and renting.

And if the government were to ensure equal participation of the poor in the non-segmented market, it would be a very costly exercise or an exercise impossible to be financed with large populations of beneficiaries. Therefore, to ensure that the poor has guaranteed access to ownership and land renting rights, the land reforms must be implemented through segmented markets. In other words, to protect the rights of the agrarian sector to access to land ownership and renting, reforms must be implemented through segmented markets.

### **The goals of the article**

The main goals of this article are to develop a sustainable land reform framework consistent with the land issues relevant to Latin America and to use it to point out the most relevant characteristics that define it.

### **Methodology**

First, the qualitative comparative terminology used and some operational concepts are presented. Second, a land accessibility model is introduced to point out among other things, the necessary and sufficient conditions for ensuring total equity in access to land. Third, the unfeasibility of ensuring total equity under non-segmented markets is stressed. Fourth, the need to implement land reforms under segmented markets is highlighted.

Fifth, the introduction of the proper institutional support to back the land reforms leads to the completion of the proposed sustainable land reform framework when dealing

only with the rights of access of the rich and the poor. Sixth, the segmented market corresponding to communal lands is added to complete the model that better fits most Latin America countries. Seventh, the characteristics defining the sustainable land reform model are listed. And finally, some important conclusions are presented.

### **Terminology used**

Table 1 below shows the qualitative terminology used in this article

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O = Ownership right provided	R = Renting right provided
o = Ownership right not provided	r = Renting right not provided
1 = Rich	2 = Poor
3 = communal people	M = Market
L = Land accessibility model	La = Model type "a"
Lb = Model type "b"	Lc = Model type "c"
Ld = Model type "d"	K = appropriate support
k = inappropriate support	K1 = support to the rich
K2 = support to the poor	K3 = support to community
K(Ld) = support to model Ld	k(Ld) = inappropriate support to model Ld

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### **Operational concepts**

#### ***a) The dominant ownership effect***

If the rich(1) and the poor(2) are competing in the same market(M) for ownership rights(O), the ownership right of the rich(O1) will prevail as he can afford to fully participate in this market. This can be expressed as follows:

$$M = O1.O2 \text{ ---} \rightarrow O1$$

#### ***b) The dominant renting effect***

If the rich(1) and the poor(2) are competing in the same market(M) for renting rights(R), the renting right of the rich(R1) will prevail as he can afford to fully participate in this market. This can be expressed as follows:

$$M = R1.R2 \text{ --} \rightarrow R1$$

#### ***c) The dominant access system effect***

If the rich(1) and the poor(2) are competing in the same market(M) for ownership and renting rights(OR), the ownership and renting right of the rich(O1R1) will prevail as he can afford to fully participate in these markets. This can be expressed as follows:

$$M = O1R1.O2R2 \text{ -----} \rightarrow O1R1$$

**d) *The non-segmented market***

This is an unprotected market where the poor can not compete against the rich, and therefore the right of access accrues always only to those who can afford it, specially those who can afford the most. For example, in the non-segmented market for ownership, the ownership right of the rich(O1) will prevail as he can afford to buy his right, as shown below:

$$M = O1.O2 \rightarrow O1$$

Notice that the above implies that for the poor to have a change to equally compete with the rich for the same ownership right his ability to afford it has to be made at least as equal as that of the rich.

**e) *The Segmented Market***

This is a protected market where the rights of the poor and the rights of the rich are separated to ensure the provision of land accessibility to both of them at the same time. For example, in the segmented market for ownership, the ownership rights of the rich(O1) and of the poor(O2) are present in a separate fashion, as shown below:

$$M = [O1][O2]$$

Notice that the above implies that there is perfect competition among the rich and there is perfect competition among the poor and that there is no perfect competition between the rich and the poor.

**The land accessibility model**

1)  $L = O + R$

The model above simply says that depending on the provision of ownership choices or renting choices or both at the same time, there can be several possible land accessibility models, which are described below:

**a) *The case of total inequity can be represented as follows:***

2)  $La = or$

The above means that when land reforms do not guarantee land ownership and renting rights at the same time, we have a totally unequal system. The chances of having sustainable conditions in these types of reforms are zero while the chances of having deteriorating impacts especially on the environment are very high.

All land reforms implemented without the provision of clear legal property rights and clear rights to renting land at the same time fall within this category.

***b) The case of equity in ownership opportunities only is expressed as:***

3)  $L_b = O_r$

The above means that when land reforms guarantee only access to land ownership rights, but not access to renting rights, we have a system based on partial equality. This appears to be one of the most commonly used land reform systems. Notice that not providing renting rights at the same time may increase the cost of implementation, may decrease the number of beneficiaries covered by these programs as the poorest are left out of the market, may increase initial economic pressures or capital needs of those that can afford to participate in the market to support production, and therefore, it may promote system instability.

Land reforms in Latin America have been implemented with the focus of providing accessibility to ownership rights only. For example, Deere and DeLeon(2001) found that all the 12 Latin American countries undertaking land reforms they studied were concerned with land titling. The ejido system in Mexico gave ownership to ejidarios, but prohibited them from renting their plots( De Janvry et al 1997). Right now, former soviet republics are moving toward market based land reforms where land ownership is at the core of the changes. For example, the former soviet republic of Moldova is moving from a system of collective state farms to collective private farms through market mechanisms(Lerman et al 1998). Since 1996, Ukraine too is moving toward a system of private ownership through market principles(Csaki and Lerman 1997) and since 1992, Russia has been moving in the same direction(Brooks and Lerman 1994).

***c) The case of equity in renting opportunities only is represented as:***

4)  $L_c = oR$

The above means that when land reforms guarantee only access to land renting rights, but not access to ownership rights, we have a system based on partial equality too. This appears to be a land reform possibility never used in Latin America, but which has the potential to reach a bigger number of beneficiaries than the models that are focused on providing only ownership rights especially when land to be bought and/or in the hands of governments to be distributed is scarce and the number of people in need of access to land is high.

Notice that not providing ownership rights at the same time may reduce the incentives of those who can afford and want to own the land to using their own economic resources to be more productive as well as may reduce the incentives of those renting who can not afford to own now, but that could afford it later on to be more productive/responsible too, and therefore, it may promote system instability.

No land reform in Latin America appears to have been directed to ensuring only access to land renting to my knowledge first as the first step toward ownership if the beneficiary so want. However, the formally soviet republic, Turkmenistan, has implemented a land reform program based on breaking up collective land structures and transform them into household based farming system operating through long term lease contracts, with the option of being purchase later on(Lerman and Brooks 2001). This

approach apparently can bring into the land reform process only the people with the expertise and the commitment to get it succeed, and with more commitment to buy the land for long term use.

And this can help in avoid making the mistake of believing that everybody wants land to live full time from agricultural activities and should get ownership to land(Bowyer-Bower and Stoneman 2000).

*e) The case of total equity is represented as:*

5)  $L_d = O_R$

The above means that when land reforms guaranteed both access to land ownership rights and access to renting rights we are developing a model based on balancing the needs of all participants, and therefore reaching this way sustainable conditions. Given availability of land, everybody has the right to choose to either buy land or rent land or both depending on their preferences and their economic and technical conditions at the time of the reform.

When land is scarce, the needs of those who can afford to participate in land ownership directly, individually or in group must be balanced out with the needs of those individuals and groups who could only rent initially.

The provision of both choices provides flexibility and stability to the reform by allowing those who want to own and those who want to rent to exercise their rights and choices according to the available resources, expertise, interest, and desires that each of them has, be it a man or a woman or be it an individual or a group of individuals. One of the lessons from the Second World Bank/FAO Workshop on structural change in the farming sectors in Central and Eastern Europe was to eliminate restrictions on land leasing to support ownership access through markets especially during the initial phases of the reforms(Csaki and Lerman 1999).

It is believe that land sale markets are friendly to the rich and land rental markets are friendly to the poor(De Janvry et al 2001; Sadoulet et al 2001), and therefore a framework access to ownership and renting rights at the same time is desirable. Moreover, recognition that access to renting rights should be given in Central American land reform programs to complement market based ownership to ensure more participation of the poor in these programs validates the need of this approach(Molina 2001).

**The unfeasibility of total equity under non-segmented markets**

Model 5 can be expanded to show the unfeasibility of providing total equity in access to land within normal non-segmented markets. If we divide the provision of ownership rights(O) as the provision of ownership rights to the rich and the poor at the same time, then  $O = O_1 + O_2$ .

If we divide the provision of renting rights(R) as the provision of renting rights to the rich and the poor at the same time, then  $R = R_1 + R_2$ .

Substituting this in formula 5, we get:



$$6) Ld = OR = O1O2.R1R2$$

Reorganizing terms, we get the following non-segmented market:

$$7) Ld = O1R1.O2R2 \text{ ---} \rightarrow O1R1$$

And we know from the dominant system access effect that under these conditions, the ownership and renting rights of the rich(O1R1) will prevail as the poor can not afford to compete in this market.

In other words, in these non-segmented markets the poor are crowded out, as they are not able to compete for ownership and renting rights, and concentration processes will again take place.

### **The need for a system of segmented markets**

Therefore, we need to develop segmented markets in order to provide the poor an opportunity to exercise its rights to access to land ownership and renting rights and to prevent process of land re-concentration, which can be expressed as follows:

$$8) Ld = [O1R1][O2R2]$$

Government can have direct and indirect roles in the creation and support of segmented markets. They can have a direct role in at least three ways: when they redistribute government held lands; when they purchase land to be redistributed; and when they expropriate/confiscate land for social justice.

Governments can have an indirect role when they support the transactions of beneficiaries in the market and provide the capital subsidies that they need to ensure the survival of their production activities and businesses at the beginning of the reform or when needed.

### **Managing the segmented markets**

The provision of appropriate support(K) is part of the necessary and sufficient condition to reach a sustainable land reform markets, and this covers appropriate regulatory, technical, promotional, financial, marketing, and informational support.

$$9) K(Ld) = K[[O1R1][O2R2]]$$

Appropriate support(K) means here the provision of support consistent with the needs of each segment of the market, the rich and the poor at the same time, and therefore, it can be written as  $K = K1K2$ . Substituting this in formula 9, we get:

$$10) K(Ld) = [K1(O1R1)][K2(O2R2)]$$

By incorporating the provision of appropriate support per segment(K1,K2) we ensure that the original institutional framework is replaced by one consistent with the systematic nature of the reform to avoid a common problem usually faced when implementing land reforms in Latin America, that of destroying existing institutional structures without putting together appropriate structures to replace them(Meyer 1989).

### **Incorporating the Management of communal segment to the system**

The framework above reflects a purely private land system where there no longer exist communal lands. As the land structure of most countries, specially Latin American Countries, includes the existence of communal lands, model 10 can be expanded by incorporating a communal segment [K3(O3R3)] reflecting management support consistent with the needs of communal lands(K3) and the provision of communal ownership and renting rights(O3R3).

$$11) K(Ld) = [K1(O1R1)][K2(O2R2)][K3(O3R3)]$$

The above is the complete sustainable land reform framework reflecting the needs of the three main interacting subsystems: private lands in the hands of the rich, private lands in the hands of the poor, and communal lands assuming that the government no longer holds any type of productive lands.

### **The characteristics defining the sustainable land reform model**

Formula 11 above indicates that the necessary and sufficient condition to ensure land reform sustainability is the fulfillment of the following set of needs at the same time:

- The need to create and indefinitely maintain segmented markets;
- .The need to provide appropriate support to each segment of the market;
- The need to provide equal access to ownership and renting rights in each segment of the market at the same time;
- The need to think and plan in a systematic and conjunctural way
- The need to balance or optimize the interactions of all segments in the market.

### **Main implications of the model presented above**

Note that without segmentations in formula 11, we should expect the weakest segments of the market to be the first ones to disappear, and re-concentration of ownership rights and renting rights to take place. And notice that even with segmentation, if appropriate support and clear ownership and renting rights are not provided to specific segments, they would not be sustainable, a situation who would affect the stability of the other segments in the system.

And therefore, the model in formula 11 allows us a theoretical and practical way to do the following: a) to efficiently allocate resources available to the state per segment such as factors of production, investment, credit, subsidies and so on; b) to efficiently manage the different components through sustainable means and levels of power; c) to efficiently set a market structure where economic activities can be allocated in such a way as to

support internal and external industrialization; and d) and to gear all the above toward effective mitigation of poverty, if not its elimination.

### **Specific conclusions**

Among the specific conclusions we have the following: First, it is possible, using qualitative comparative terminology, to develop and present a sustainable land reform framework as shown. Second, it can be pointed out that two of its main characteristics are the need to implement land reforms within segmented markets and the need to provide both ownership choices and renting choices at the same time within each segment of the market.

And third, it can be stressed that the model presented above is politically feasible as it is based on the notion of creating and managing segmented markets.

### **General conclusion**

Developing a general sustainable land reform framework allows us to understand its theoretical requirements; and to determine the main characteristics that define it. This provides a good framework for planning and implementing new programs or for assessing the sustainability of existing programs to determine areas of failure or improvement.

And all the above suggest a new way to look at the issues underlying the sustainability of land reforms systematically.

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