

# The Comprehensive Agrarian Reform Program: An Analysis of its Policies and Processes

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*The Comprehensive Agrarian Reform Program or CARP is viewed as a way of correcting the existing inequitable relationship in the agricultural sector. CARP is better than its predecessor, PD 27, with respect to the following areas: 1) it has a more comprehensive coverage (both in area and beneficiary); 2) it is more flexible (both farmer and landowner can choose from different options); 3) it has a more expeditious implementation process; 4) it has stronger implementation mechanisms; and 5) it has more participation from farmers and non-governmental organizations in program implementation. Still the fate of CARP depends largely on Congress whose predominant interests might conflict with the intentions of an expanded land reform program.*

## Introduction

The fundamental philosophy underlying agrarian reform is the democratization of wealth by equalizing control and access to the basic productive resources such as land. Such democratized control and access is seen to lead to the empowerment of the greater number of people. It is in this sense that agrarian reform is viewed essentially as a social justice program. Striking at the very core of democratic ideals.

The Comprehensive Agrarian Reform Program (CARP), enunciated under the aegis of the present administration, attempts to operationalize the provisions of the 1987 Constitution governing agrarian and natural resources reform. Among its important provisions are:

- 1) the rights of farmers and regular farmworkers, who are landless, to own directly or collectively the lands they till or, in the case of other farmworkers, to receive a just share of the fruits thereof;
- 2) just distribution of all agricultural lands subject to such priorities and reasonable retention limits as the Congress may prescribe... subject to the payment of just compensation;
- 3) the rights of farmers, farm-workers, and landowners, as well as co-

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operatives and other independent farmers organization to participate in the planning, organization and management of the program;

4) the application of principles of agrarian reform or stewardship... in the disposition or utilization of other natural resources; and

5) incentives to landowners to invest the proceeds of the agrarian reform program to promote industrialization, and employment creation.

To understand the CARP, one has to examine its underlying policies as well as the concomitant processes. These include:

- 1) coverage;
- 2) land valuation, compensation and amortization;
- 3) beneficiaries;
- 4) alternative agrarian reform approaches; and
- 5) administrative mechanism and grassroot participation.

### **Program Coverage**

Compared to the agrarian reform program instituted under the Marcos administration through PD 27, the CARP is more comprehensive in scope since it covers all public and private agricultural lands regardless of tenurial agreement and commodity produced. In absolute terms and based on the estimates of the Department of Agrarian Reform (DAR), this means a target of 5.5 million hectares and 2.6 million beneficiaries. The 5.5 million-hectare represents 57 percent of the country's entire agricultural area. The 2.6 million target beneficiaries, on the other hand, represents 42 percent of the country's total farm population. Compared to other countries where agrarian reform is considered relatively comprehensive and successful, the 57 percent proportion is even higher. In Mexico, Peru, and Japan, the area covered by agrarian reform comprise 43.4 percent, 39.3 percent and 30 percent, respectively. In terms of the target beneficiaries, the proportion is similarly comparable to the countries mentioned. In Peru, 30.4 percent of the farming families benefitted from agrarian reform while in Mexico, the proportion is a little higher (42.9%). In Japan, those benefitted by the program is 3 million farmers or over one-half of all its farmers.

The DAR's estimates are based on a 7-hectare retention limit, but, the coverage of the program can increase or decrease depending on the landowner's retention limit to be set by Congress. If Congress sets a higher

limit, a larger number of prospective beneficiaries will logically be excluded from the program. Correspondingly, the size of farm to be distributed to the beneficiaries will be smaller. Based on current estimates, the average landholdings which could be distributed to beneficiaries is only about 2 hectares. Conversely, if Congress sets a retention limit lower than 7 hectares, more lands could be distributed to a much larger number of beneficiaries. In this sense, the size of the area for retention will largely determine the number of farmers and workers who will gain direct access and control over the land resource.

Similarly, the immediate socio-economic and political impact of the CARP will be determined by the implementation priorities to be set by Congress. While the argument that the program should start with public lands has some validity, it is in the private lands, particularly in areas devoted to plantation and food crops, where the socio-economic and political condition is critical, and, therefore, warrants immediate alleviation.

There seems to be a strong lobby to exempt some areas from the CARP, among which are those devoted to agri-business enterprises like aquaculture, rubber, pineapple, etc. Providing exemptions, whether on the basis of type of enterprise or crops, will provide loopholes for evading the program and will ultimately weaken its impact. The evolution of new arrangements within the framework of the CARP, and not in spite of it, is the challenge that has to be faced by those who would want to invest in agri-based industries.

#### **Land Valuation, Compensation and Amortization**

Both PD 27 and CARP are compensatory rather than confiscatory programs. However, their basis for land valuations differ. Under PD 27, productivity is the basic factor for valuation. This is operationalized by determining the three normal harvests preceding October 1972, (the start of PD 27) times a correction factor of 2.5, and multiplied by the price of one cavan of palay which in 1972 was P35. An average value of the land using this formula is P10,000 per hectare. The low land valuation under PD 27 has been a major complaint of landowners.

Under the CARP, land valuation is based on a current fair market value. Operationally, this involves approximating just compensation which the Constitution mandates as the basis for paying landowners affected by agrarian reform. Tentative estimates indicate that using current fair market value as basis, the average value of one hectare ranges from ₱25,000-₱50,000. Considering the comprehensiveness of CARP, government affordability to pursue the program becomes a problematic issue. Thus, whether CARP's intent of a comprehensive coverage will be achieved depends on the government's financial ability to shoulder the cost of the program.

The slowness in valuating the land has been a major criticism against PD 27. The valuation process, in which both landowners and tenants have first to agree on the production of the farm for the past three years (as this is the basis for valuation), has resulted in the snail-paced implementation of the program.<sup>1</sup> Consequently, CARP has provided for a more expeditious process. The price to be offered by the DAR to the landowner will be based on current fair market value. The landowner's rejection of the offer will not prevent the DAR from pursuing its acquisition of the land and transferring it to its qualified beneficiaries. The process from notification of landowners by the DAR of its intent to acquire the lands up to the time the DAR summarily determines the compensation for the land is only 45 days. If the landowner disagrees with the price offered, the landowner can go to court for the final determination of just compensation.

The mode of compensation to landowners has been improved under the CARP, although the cash component remains to be only 10 percent, with the rest in Land Bank bonds. However, the payment has been shortened from 25 years to 10 years with one-tenth of the face value of bonds maturing every year until the tenth year. The Land Bank bonds shall also bear market rates of interest that are aligned with 90-day treasury bill rates.<sup>2</sup> Moreover, services shall be provided to the affected landowners regarding investment information and counselling assistance, conversion of Land Bank bonds to government stocks or exchange with government assets, and marketing of the bonds.

In both PD 27 and CARP, the beneficiaries are expected to pay the equivalent of the total cost of the land. Yet unlike the former, CARP somehow injects the principle of (farmer) affordability, that is, in no case shall the annual amortization of beneficiaries exceed ten percent of the land's annual value of gross production and if such case happens, the interest rate (which is pegged at 6%) or the principal obligations will be reduced to make the appointments affordable. Furthermore, the amortization period is extended from 15 years to 30 years.

Whether what is envisioned as affordable amortization is really affordable to the beneficiaries remains an empirical question. The capability of the farmers to pay their amortization is highly variable and primarily dependent on their ability to raise their income mainly from the farm. Increasing farm income, in turn, hinges on the availability of and access to support services such as technology, processing facilities, marketing outlets, etc. Based on the PD 27 experience, saddling the beneficiaries with other burdens, like mandated production loans, barrio guarantee funds, irrigation and other fees at the time that they are still struggling to make their land productive is definitely unwise. Thus, CARP's credit support which provides a production loan to finance one crop cycle and renewable upon repayment will

have to be carefully examined considering the above.

### **Program Beneficiaries**

A basic limitation of PD 27 is the confinement of the agrarian reform program solely to tenant-farmers of private agricultural lands in rice and corn areas. It has excluded from its purview the landless farmers of other agricultural lands who are equally worse-off and regular farm workers who are generally worst-off. Limiting the program to rice and corn tenant-farmers was largely motivated by political considerations. At the time of the declaration of the program, the rice and corn areas were the seat of intense social unrest. Agrarian reform was, therefore, a preemption of a more violent upheaval. The other areas, like coconut and sugar, were not touched because they are controlled by landlords who wield strong economic and political power and whose alliance was needed by Marcos to further legitimize and strengthen his power. Their inclusion within the CARP is already a radical departure from PD 27.

Nevertheless, there is a need to concretely define who is a "regular" farmworker. If this is defined strictly as to apply only to those who are permanent/"tenured" workers, the number of worker-beneficiaries will be reduced tremendously. The larger bulk of the workforce is the "regular" casual, seasonal and piecemeal workers. These are the workers who are at the lowest rung of the economic ladder. It will be unfortunate if they will not directly benefit from agrarian reform.

The CARP tries to address the plight of other farmworkers although in quite a peripheral manner. It provides for production sharing where individuals or entities owning or operating agricultural lands with gross sales in excess of P5 million per annum shall share 2.5 percent of its gross sales as additional compensation to farmworkers. This should be interpreted to include all farmworkers, regular or non-regular within the employ of the said individuals or entities.

Other approaches will have to be pursued and included in the CARP to ensure that "non-regular" farm workers gain access to land. One of this is to encourage the grant of access rights to use lands owned by others in between cropping seasons, as in the case of small tomato and onion growers in the north, and in between permanent trees, as in the case of monocropped coconut farms. Another is homelot reform to assure permanent abode for landless farm workers.

### **Alternative Options for Agrarian Reform**

A distinguishing characteristic of CARP is its provision for alternative approaches for agrarian reform. Voluntary transfer is underscored as an

option. Landowners can enter into voluntary agreement for direct transfer of their lands to beneficiaries under terms and conditions acceptable to both but subject to the approval of DAR. It gives incentives to those landowners who are voluntarily offering their lands for sale by exempting them from the payment of capital gains tax and other taxes and fees. Likewise, a corporate landownership scheme is provided. In this scheme, workers and other qualified beneficiaries of corporate landowners can purchase capital stock of the corporation equivalent to the value of the land to be transferred. The above-mentioned options are definitely intended for landowners to pave the way for their easy acceptance of CARP. While these options indicate implicitly the flexibility of CARP, they, (particularly the first and the last options) should be carefully scrutinized and monitored to ensure that they do not become sources of circumvention of the program. Proposals for voluntary land transfer and corporate landownership should apply the principle of equivalence. This means that the benefits accruing from the above proposals should be equivalent to the benefits intended for the beneficiaries of a direct land transfer program under the CARP.

Beneficiaries are also provided options to choose between collective or individual ownership of the land to be transferred to them. This particularly refers to estates where there are multiple beneficiaries. Transfer of estates ownership to a collective group is not only administratively less cumbersome for DAR but will also prevent any possible adverse economic effects if the estate will be broken up into smaller farm units. The argument that economies of scale is needed in plantation agriculture and, hence, should not be subjected to agrarian reform will not hold water with the provision of collective ownership.

### **Administrative Mechanism and Grassroot Participation**

A number of implementational problems that plagued PD 27 include among others:

- 1) the slowness of the land transfer process;
- 2) the lack of sustained will in the implementation particularly at the field level;
- 3) the lack of coordination among the different agencies involved in agrarian reform implementation; and
- 4) lack of grassroot participation.

To correct the first problem, CARP has instituted several administrative mechanisms to facilitate land transfer. As already mentioned, it has provided

for a more expeditious system of land valuation. Furthermore, the transfer of land from the landowner to the beneficiaries is now considered as two separate transactions between the landowner and the government on one hand, and the beneficiaries and the government on the other. This system of separate transaction will enable DAR to pursue land transfer activities simultaneously as one activity is not preconditioned by the culmination of another.

On the second problem, CARP has imbued DAR with quasi-judicial powers that will permit it to implement the program faster and without fear of undue harassment from adversarial parties.

The Presidential Agrarian Reform Council (PARC) is the administrative mechanism conceived to solve the problem of coordination among different agencies. With the President of the Philippines at its helm and the Secretaries of the three land ministries (DAR, Department of Agriculture [DA], and Department of Environmental and Natural Resources [DENR]) as vice chairman, including 12 other government agencies as well as appointed representatives from affected landowners and beneficiaries, it is hoped that a more functional interfacing of the activities will be achieved. Plans are now underway to establish a more unified implementation plan for agrarian reform involving DAR, DA and DENR. It is interesting to note that this unified planning approach has also been adopted by the Cabinet Action Committee which has been tasked to draft the basis of the executive order on CARP, later signed by the President into law. This unified approach may prove to be the missing link in the coordinative implementation of CARP.

The PARC now establishes intermediate structures, that is from the regional to the municipal levels. It seeks for innovative structures and resources that will promote expeditious implementation of CARP. The challenge to the discipline of public administration is to help find or develop these structures. In the pursuit of such structures, several conditions have to be looked at carefully. First, how can coordination among the different field agencies be functionally operationalized? What is the role of the local government (provincial and municipal), and the regional development councils in the implementation of CARP? If new structures will be developed, how are these to be linked to existing government machineries? Second, and related to the first, how can implementation powers be functionally devolved to the intermediate structures? Third, what are the control mechanisms at the field level that should be established to mitigate, if not dissipate the concerted efforts of some government power-holders as well as other interest groups that have taken on adversarial positions? Fourth, how can non-governmental organizations, farmers organizations and the private sector be harnessed for CARP? How can they be functionally linked to government implementing agencies?

The lack of grassroots participation in the planning and implementation of the PD 27 program has contributed to its apparent weakness. In Taiwan, Korea and Japan, grassroots participation had been a critical factor in the success of their agrarian reform program. The Barangay Agrarian Reform Council (BARC) established under the CARP is precisely intended for this purpose - to support and participate in the implementation of the program. It is composed of representatives from the different sectors and/or interests such as the area beneficiaries, non-beneficiaries, agricultural cooperatives and farmer organizations, barangay council, non-governmental organizations, landowners and the officials of the different line agencies assigned in the area. The operationalization of the BARC however, has still to be made. At this point, the need to test and verify its functionality is crucial. Mechanisms for flexibility should be identified considering the heterogeneity in the structures, ecological and socio-economic environments of villages and communities.

The need to organize farmers and workers so that they will have meaningful participation in the BARC is also apparent. In line with this, the extension program of government agencies should be geared towards a more participatory approach. Furthermore, the participation of non-governmental associations and people's organizations should now be clarified, and hence, concretized. It is interesting to mention that the Congress for People's Agrarian Reform, an umbrella organization of farmers, fishermen, and landless workers is now in the process of organizing People's Agrarian Reform Councils at the local, regional and national levels to be composed exclusively of representatives of farmers and farmer organizations. These councils are envisioned to help implement the program and represent the farmer-beneficiaries, non-beneficiaries, cooperatives and other farmer organizations in the BARC.

### Conclusion

From the above exposition, it is clearly evident that the CARP, compared to PD 27 program, is definitely more comprehensive based on its expanded area and beneficiary coverage, and more flexible since it allows for different options for both landowners and beneficiaries. It provides a more expeditious implementation process, particularly in land valuation and land transfer transactions, stronger implementation mechanisms as evidenced by the creation of PARC and BARC and the provision of quasi-judicial powers to DAR, and more participation from farmers and farmers' organizations as well as non-governmental organizations in program implementation. It is repeatedly argued though that CARP has already given substantial concessions to landowners, specifically in terms of compensation, corporate landownership and voluntary land transfer.

Whether CARP will ultimately lead to the realization of the avowed ideals of a genuine agrarian reform program is an issue worth pondering. How to



democratize the control of land and diffuse the powers will depend largely on how the new Congress will set the retention limit and implementation priorities, provide strong and functional implementation mechanisms, and appropriate substantial financial resources for the program. These in turn, will depend on the interplay of interests within Congress. In the House of Representatives, for instance, there are already two major agrarian reform bills representing two divergent interests. House Bill No. 400 is perceived as more pro-farmer while House Bill No. 941, more pro-landowner. Apparently, there is also a strong landowner bloc in the House, considering that a number of the House members are themselves landowners. Moreover, a strengthened landowner lobby has emerged in the past several months as a consequence of CARP. Farmers' organizations and other groups allied with them have also consolidated their forces and have persistently lobbied for a more comprehensive agrarian reform.

This brings us to the issue of whether a truly comprehensive agrarian reform program is possible within a system of liberal democracy but where powerholders continue to have dominant vested interests on land. The successful agrarian reform programs of Japan, Korea, and Taiwan were done within the context of authoritarian rule. In fact, this was the frame of reference of Marcos when he promulgated PD 27 a month after the declaration of Martial Law. That President Aquino has to decree CARP into law before Congress convenes is already a recognition that a comprehensive program indeed might not be passed by a Congress whose predominant interests might not necessarily be favorable to an expanded agrarian reform program. Right now, there are indications that Congress would set a higher retention limit, provide more exemptions, and encourage new ownership arrangements specifically in big estates and those under agribusiness. In general, these, (particularly the first two) can somehow dilute the comprehensiveness of CARP.

Given a wider democratic space, there are, however, other means that can ensure the comprehensiveness of the agrarian reform program. First, one can always go back to the ideals enunciated by the 1987 Constitution on agrarian and natural resources reform. Political leadership, in the long run, will have to be measured by its ability to meaningfully operationalize these principles. Furthermore, democratic processes allow for a more dynamic interplay of varied interests and, therefore, guarantee that the opportunity for achieving a comprehensive program is always present.

Second, there is no greater justification for pursuing a comprehensive agrarian reform program than a program that works and brings about the welfare of the greater number of people. DAR and the other land departments can show the validity of agrarian reform through effective and swift implementation. Given the new leadership impetus in these agencies. It seems that direction is already in the offing. A democratized bureaucracy which is attuned

to the needs of the people can make the significant difference in the program.

Third, new structures like the BARC can be used to continue articulating the need for a comprehensive program. The current emphasis on grassroots participation and devolution of program planning and implementation can well serve the interests of agrarian reform.

Fourth, there is now a concerted effort from many sectors farmers, farmworkers, laborers, non-government organizations, church, academe, and some parts of the private sector to continue the quest for a more comprehensive program. Moreover, the consolidation of farmer groups into stronger and unified organizations, like the Congress for Philippine Agrarian Reform, indicates the growing political will from below.

Lastly, history has shown that (poor) peasants adopt survival strategies to cope with the exigencies of the times. In many cases, these strategies are unconscious, unobtrusive and non-violent. The settlement of the Philippine uplands by lowland landless farmers is a classic example of this phenomenon. Interestingly, this phenomenon is now being institutionalized into an approach whereby organized farmers consciously occupy idle and abandoned lands, sequestered lands, and unused public lands. To these farmers, this is agrarian reform in the real sense, to some, it is illegal entry and claim, to others, an agrarian reform through the backdoor. Regardless of how the phenomenon is viewed, the lesson is that, the poor peasants will seek out new mechanisms, arrangements, and institutions to survive. They will do it with or without government help.

### Endnotes

<sup>1</sup>Under EO 228, this procedure is revised. The valuation for rice and corn lands covered by PD 27 shall henceforth be based on the average gross production determined by the Barangay Committee on Land Production.

<sup>2</sup>For the remaining unvalued rice and corn lands under PD 27, the same mode of compensation now applies pursuant to EO 228.