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Market-Led Agrarian Reform:
A Beneficiary Perspective of *Cédula da Terra*

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Abstract

World Bank-supported market-led agrarian reform (MLAR) programmes were formulated to redistribute land in areas of high concentration. These projects aimed to be a speedier, less costly and less conflictual method of redistribution than state-led efforts. Quantitative evaluations have shown that MLAR reforms have often failed, but have been less informative regarding the underlying causes of underperformance. This paper proposes that MLAR's central weakness is its inattentiveness to country-specific socio-political factors that influence land relations. To assess this claim, a modified beneficiary assessment (BA) of Brazil's *Cédula da Terra* (CT) will be conducted. This paper finds that the design of CT disregarded beneficiary socio-political concerns and that the persistence of these affected project implementation and outcomes.

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Chapter 1: Introduction

Allow me, dear reader, a minute of your attention
To speak of an evil that wounds the ground of my beloved land Brazil.
A land of excluded and marginalized people, a land of poets and working men
Where people fight and dream of patience still unknown
But a people who fight for their lives, confronting challenges of pain
– Adauto Nogueira (MST settler)[1]

In many developing countries high land concentration contributes to rural poverty, social marginalisation, low agricultural productivity and political unrest. The importance of rural policy for development should not underestimated since approximately two-thirds of the world's poorest reside in rural areas (Borras et. al, 2006), and in some countries agriculture accounts for up to 29 percent of GDP and employs approximately 65 percent of the labour force (World Bank, 2008). While developing country governments, international institutions and landless peasants recognise the importance of land reform for socio-economic equity and agricultural productivity, they disagree on appropriate implementation strategies. In the 1990s, the World Bank began promoting market-led agrarian reform (MLAR) programmes as an alternative to state-led redistribution. Considering that MLAR projects have underperformed worldwide and have been criticized by organizations representing landless interests, this paper analyses whether the World Bank's neoliberal approach to land reform has been effective in addressing the concerns of potential beneficiaries and whether unaddressed factors have affected project implementation and outcomes.

While land reform encompasses policies that affect the structure of rural ownership such as land titling, land ceilings, abolition of intermediaries and direct redistribution, this paper will focus exclusively on land redistribution policies (Binswanger and Deininger, 1999). Redistributive reforms warrant analysis because the profound impact they have on existing economic, social and property rights structures has made them a particularly controversial form of land reform. Whereas previous developing country experience with redistribution relied heavily on state-led expropriation (Kay, 2002), the World Bank's model emphasises a willing buyer-willing seller approach that reduces the role of the state and increases the role of the market in the redistributive process by pursuing redistribution through negotiated land sales financed by government loans (Childress, 2008). This

[1] Exert from Wright and Wolford, 2003.

paper evaluates the market-led model because the World Bank has recently advocated its implementation in Brazil, Colombia, El Salvador, Guatemala, the Philippines and South Africa.

The market-lad model has been promoted as a more efficient, less costly and less conflictual method of reducing rural inequity and increasing agricultural productivity. However, past quantitative evaluations have indicated that projects have underperformed. While programmes have contributed to increased rural income, in many cases they have been poorly targeted, benefited fewer families than expected and redistributed unproductive land. Further, as a result of limited access to rural credit, unsustainable beneficiary debt and inadequate technical assistance, agricultural productivity has remained low and farms have been abandoned. Finally, rural violence and land invasions have escalated as a result of rural dissatisfaction with the MLAR process (Borras et. al, 2008).

Because standard quantitative analyses are ineffective at recognising how non-economic factors affect project outcomes, they often leave the underlying causes of programme failures unexplored. Therefore, this paper introduces a qualitative beneficiary perspective into the evaluative framework to show that the willing buyer-willing seller model is primarily designed to address economic causes of land concentration, and that beneficiary dissatisfaction and project failures arise as a result of the persistence of the country-specific historical, political and social factors that MLAR projects leave unaddressed.

Specifically, this paper utilises Brazil as a case-study and employs a modified beneficiary assessment approach to analyse the design, implementation and outcomes of *Cédula da Tera* (CT), the World Bank's first MLAR project. In light of the context-specific nature of rural relations, a case-study approach is warranted. Further, a beneficiary assessment facilitates the integration of socio-political considerations into project evaluation since it "assesses the value of an activity as it is perceived by its principle users" (Salem 2002, 1). By integrating socio-political considerations into programme analysis, this paper complements past quantitative evaluations of *Cédula da Terra*. Although this paper analyses Brazil's experience with MLAR, non-economic factors affect design, implementation and outcomes of similar projects worldwide. Therefore, although the conclusions reached here cannot be directly applied to MLAR projects implemented elsewhere, they do highlight factors deserving attention in the design of future land redistribution policies.

The next chapter analyses the justifications for redistributive reforms, discusses why land concentration persist and examines the role of the market-led model in ameliorating land inequality. The third chapter discusses the modified beneficiary assessment framework. The fourth chapter introduces Brazil's experience with land redistribution and *Cédula da Terra*. The fifth chapter employs the BA approach to evaluate *Cédula da Terra's* design, and analyses the impact of unmet beneficiary concerns on program implementation and outcomes. The final chapter concludes by discussing the lessons learned from Brazil's experience.

Chapter 2: The Logic and Necessity of Reform

This chapter explores the economic and social justifications for equitable land distribution, the causes of persistent land concentration and the intended role of the market-led model in mitigating land inequality. Developing countries pursue land redistribution because they are often characterised by high land concentration. In Latin America alone, the Food and Agricultural Organizations estimates that two percent of landowners control over 72 percent of cultivated land (Todaro and Smith 2006, 430). Such high concentration has contributed to low agricultural productivity, high income poverty and socio-political marginalisation. However, imperfect credit and land markets alongside socio-political inequality have historically prevented equitable land distribution. While the market-led model was formulated to overcome these political and socio-economic hurdles, its programs have often fallen short of expectations.

Productivity Justifications

The inverse farm-size productivity and Marshallian efficiency theories predict relatively higher productivity on smallholder, family-owned farms. According to the inverse farm-size productivity theory, as a result of lower labour supervision costs smallholder, family-owned farms are more productive than large wage-operated ones (Binswagner et. al, 1997). In Brazil, for example, small farms (under ten hectares) produce US$85 per hectare, while the largest farms (over 500 hectares) produce US$2 per hectare (Todaro and Smith 2006, 430). This inverse relationship occurs because hired labour faces weak incentives to maximise effort since wages are earned irrespective of production and the cost of monitoring effort is high (Deininger, 2003). Case studies indicate that by deconcentrating landholdings, land reforms may enhance agricultural productivity. For example, following decollectivisation in China, agricultural output grew substantially as a result of increased labour productivity (Lin, 1992).

Similarly, Marshallian efficiency theory predicts that the redistribution of property rights improves farmers' incentives and ability to maximise agricultural production (Berry, 1984). Firstly, farmers have an incentive to maximise production on owned plots because they retain all gains from agricultural activities. A study of Indian villages confirmed that input and output intensities were higher on owned plots than on rented ones (Shaban, 1987). Secondly, because land can be used as collateral, land redistribution increases access to credit and thus facilitates the execution of productivity-enhancing investments (Besley and Burgess, 2000). Finally, through increased investment in new crops, fertilizer and irrigation systems, smallholder farmers can enhance production, increase household incomes and contribute to country-level economic growth. Evaluations support the role of reforms in increasing productivity.[2] For example, by redistributing nearly half of its arable land, Mexico stimulated agricultural productivity. After decades of sluggish growth, agricultural output grew at 4.6 percent annually between 1940 and 1960, while the rest of Latin America experienced average output growth of only 2.7 percent during the same period (Berry 1984, 78).

Equity Justifications

While agricultural productivity considerations provide strong support for equitable land distribution, equity concerns deserve equal attention. Land redistribution can ameliorate income inequality and affect social and political power distribution. Land redistribution reduces inequity because reform beneficiaries are primarily the rural poor who heavily rely on agriculture for their livelihoods (Nye, 1984). In Central Asia, post-World War II land reform efforts resulted in an 80 percent decline the in the income accrued by the top four percent of households and a 30 percent increase in the income accrued by the bottom 80 percent (Putzel 2000, 8). Additionally, since households in the poorest quintiles spend the majority of income on food consumption, by providing access to land for subsistence farming redistribution enhances the non-food purchasing power of beneficiaries. In Brazil, for example, state-led redistributive reforms resulted in a 25 percent increase in household consumption of durable goods (Buainain et. al 2002, 67).

Land redistribution also promotes socio-political equity. Landless peasants believe that through redistribution long-standing hierarchical social structures dominated by large landowners will be toppled (Magbubukid, 2000). Further, for both owners and the rural poor land has non-economic value. Because land represents a source of livelihood, insurance, social status and prestige, its inaccessibility is viewed as a form of social dispossession by the landless (McMichael, 2008). Impoverished peasants are also often marginalised from the political process because they possess relatively less power than landowners. This marginalisation contributes to low political participation

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[2] For more examples refer to Berry, 1984.

by the landless, as well as to the persistence of pro-landowner policies in many developing countries (Binswanger and Deininger, 1997). Land redistribution may therefore reduce social marginalisation and increase political participation among the rural poor (Tai, 1974).

Persistence of Land Concentration Explained

Although economic and socio-political arguments provide substantial support for equitable land distribution, high land concentration often persists. It does so as a result of market imperfections and societal power imbalances. First, the rural poor face credit market constraints. Credit is often inaccessible in developing countries because the cost of monitoring and supervising loans is too high (Ray, 1998). The costs are particularly high in rural areas due to "imperfect insurance markets, spatial dispersion and covariant incomes" (Binswanger and Deininger, 1997). In addition to credit inaccessibility, the poor lack sufficient wealth and collateral to secure loans for the purchase of land (Binswanger and Deininger, 1997). Finally, because credit and insurance market imperfections leave the rural poor unprotected against shocks, distress land sales contribute to high land concentration.

Second, concentration persists because land markets are uncompetitive as a result of inflated prices and illiquidity. Due to high initial land concentration distorted land markets emerge in which land prices exceed "the capitalized value of farm profits" (Binswagner and Deininger 1997, 1966). Inflated prices are in part caused by the use of land as a defence against inflation and economic instability, as well as a means to maintain access to credit subsidies and tax advantages[3] (Alston et. al, 1999). Finally, land markets remain illiquid because landowners refuse to dispense of unproductive properties due to the power, prestige and wealth that ownership provides (Gauster and Isakson, 2008). Thus, even if the rural poor were able to access credit, imperfect land markets hinder their ability to successfully purchase land.

Societal power imbalances also contribute to high land inequality. Historically, "land rights and ownership grow out of power relationships. Landowning groups have used coercion and distortion in land, labour and commodity markets to extract economic rents from the land, [and] from peasants and worker" (Binswanger et. al, 1993, 3). As a result of spatial dispersion, seasonal work cycles and information asymmetries, peasants are often unaware of the consequences of land

[3] Henceforth, when this paper refers to macroeconomic distortions it is referring to policies such as inflation, instability, credit subsidies and tax advantages

policies and are unable to act collectively to change them (Binswanger and Deininger, 1997). Landed elites are better able to act collectively since they represent a smaller and more concentrated group. Through collective action, landowners have historically been successful in avoiding expropriation and taxation, attaining subsidies and steering policies "meant to increase productivity into capital-intensive programs for large farms, thus perpetuating inequality and inefficiency" (Binswanger and Deininger 1997, 1996). Ultimately, although equal land distribution enhances productivity and socio-political equity, high land concentration persists as a result of market distortions and political power imbalances. In an effort to ameliorate land inequality, developing countries have pursued redistributive reforms.

Potential Role of MLAR

Both state- and market-led approaches to land redistribution have been implemented by developing countries. Since the 1990s, the World Bank has supported the market-led model which aims to accomplish redistribution through voluntary land sales negotiated by landowners and beneficiary associations (de Janvry et. al, 2001). To overcome credit market constraints, MLAR projects rely on a flexible loan-grant financing scheme. Beneficiaries are provided with a fixed sum of money by the government. The portion used to purchase land is considered a loan, while the remainder becomes a grant for relocation and/or investment purposes (Borras, 2003). In an effort to promote settlement sustainability, programmes require that beneficiary associations submit farm plans emphasising diversified, commercial farming (Borras, 2003).

Evaluations of MLAR projects have exposed limitations to success. First, they have found that while the loan-grant financing scheme does facilitate land purchase by the rural poor, high land prices coupled with low loan values result in the purchase of low quality and unproductive lands. In South Africa, limited government financing, small grant sizes and bureaucratic approval processes have limited beneficiary access to productive land (Lahiff, 2008). This, alongside incomplete information regarding loan conditionalities has often contributed to high default rates. For example, in Guatemala approximately one-third of beneficiaries were unaware of the amount they owe the government, while half were unaware of the interest rate or repayment schedule on their loan (Gauster and Isakson 2008, 110). Finally, while continued access to credit is necessary for beneficiaries to make productive investments on land, such access in post-settlement areas has remained low. A study of "the South Nyanza district of West Kenya found that only three percent of the 896 titles [granted] had been used to secure loans" (Musembi 2008, 50). While MLAR aims to resolve credit market constraints, factors such as incomplete information, government inaction and low market incentives have contributed to continued credit inaccessibility and subsequent settlement unsustainability.

Under the market-led model, land prices were expected to fall because the voluntary nature of transactions and the assurance of full payment were expected to incentivize owners to sell land. However, as the example of Colombia indicates, land supply has remained low since parallel measures, such as land taxes, have not been implemented (Deininger, 2001). Further, in South Africa, because beneficiaries possess incomplete information regarding the market value of land, landowners have been able to "sell land that they might not otherwise be able to dispose of, or at prices higher than the market might offer" (Lahiff 2008, 175). In Brazil, high land prices have resulted in beneficiaries purchasing smaller parcels of land than are sufficient for subsistence (Medeiros, 2008). These project evaluations suggest that the willing buyer-willing seller model of redistribution has often been unsuccessful in creating a transparent and competitive land market.

The persistence of land market distortions is also closely related to the inability of the market-led model to alter socio-political power imbalances. Wolford (2005) argues that the implementation of MLAR represents a victory for landowners because it has strengthened their power within the existing property rights regime. It simultaneously has undermined the belief held by many landless that the market reproduces and reinforces inequalities (Wolford, 2005). The neoliberal redistributive model assumes, for instance, that owners and potential beneficiaries are equal partners in market negotiations. However, landowners possess significantly more power than beneficiaries. They are influential in determining policies that regulate the market and possess information regarding the value of land, both of which enhance their relative bargaining power (Akram-Lodhi, 2009). In market-led redistribution projects this imbalance has contributed to above-market land prices and the sale of unproductive land, as has occurred in Brazil, Colombia, Guatemala and South Africa (Lahiff, 2008).

While the willing buyer-willing seller approach intends to overcome market and socio-political constraints, quantitative project evaluations suggest it has often been unable to do so. Because rural interactions in developing countries are deeply embedded in historical and socio-political relations, purely quantitative evaluations have been unable to provide satisfactory explanations for poor project outcomes. An analysis that integrates the beneficiary perspective permits a more complex evaluation of program formulation, implementation and outcomes. The remainder of this paper builds on existing MLAR evaluation literature by using a modified beneficiary assessment approach to evaluate Brazil's *Cédula da Terra* pilot project and to shed light on underlying causes of underperformance. The next chapter introduces the modified beneficiary assessment approach.

Chapter 3: The Beneficiary Assessment Approach

This chapter justifies the use of a beneficiary assessment (BA) methodology, and introduces the modified approach employed in this paper. Because the World Bank understands land concentration primarily from an economic perspective, it designs and implements land redistribution projects in a manner that depoliticises and decontextualises land reform. Additionally, purely quantitative evaluations leave unexplained the impact of non-economic factors on project design, implementation and outcomes. Therefore, this paper advocates a beneficiary assessment approach, which does explore the influence of these factors on redistributive land reforms.

Importance of Non-economic Considerations

In their respective works on rural development in Lesotho and social capital, Ferguson (1990) and Harriss (2001) find that the World Bank's technical characterisation of development problems often results in failed programme formulation and implementation. As previous chapters have discussed, rural issues are deeply influenced by social and political power structures. A market-based approach to land redistribution leaves socio-political factors unacknowledged and unresolved because it assumes land as an economic commodity, land concentration as a market failure and bargaining power as equally distributed between the landed and landless (Akram-Lodhi, 2008).

Equally important is the ineffectiveness of existing MLAR evaluations in capturing these complex non-economic influences. Quantitative analyses of land redistribution projects are ill-equipped to capture socio-political factors because they emphasise measurement of economic outcomes. The advantage of a case-study approach is that it explores the impact that historical, political and social factors have on redistributive reforms, without ignoring the context-specificity of these issues. As will be discussed in the next chapter, Brazil and *Cédula da Terra* were chosen for examination due to the historical importance of rural socio-political structures for land policies, the existence of vocal rural associations and the characteristic design, implementation and outcome challenges faced by the project.

Additionally, because land redistribution programmes are targeted at improving the conditions of the landless. A case study emphasising the beneficiary perspective will shed light on whether the design of redistributive programmes adequately acknowledges these non-economic factors and effectively respond to the self-identified needs of targeted groups. A beneficiary analysis also contributes to a fuller understanding of how non-economic factors impact project implementation and outcomes. The World Bank has recognised the importance of beneficiary perspectives, and since the 1980s has periodically implemented beneficiary assessments of development projects.

Role of Beneficiary Assessment

Beneficiary assessments are implemented because the people targeted by development projects are often marginalised from the programme formulation process (Salem, 2002). For example, during the design of *Cédula da Terra* beneficiaries were not consulted to determine whether the market-based approach effectively addressed their grievances. In order to ensure that target group concerns are incorporated into project design, BAs encourage people to articulate their values and beliefs (World Bank, 1996). At their best, BAs empower people to become active participants in the development process, and result in projects that are better designed to meet the needs of targeted groups (Salem 2002, 1).

Beneficiary participation enhances understanding of development issues and increases stakeholder commitment to the development process. In the case of land reform, project designers possess a deeper understanding of the technical limitations to redistribution than they do of the socio-political hindrances. Salem (2002) notes that through BAs social, political and cultural dimensions are integrated into project design. Realistically, few are better versed on the problems facing the landless than potential beneficiaries themselves. Therefore, the integration of participants into the design phase of projects enhances their sustainability since resultant programmes are better implemented and beneficiaries are more committed to their success (Vlaenderen, 2001). Salem (1998) emphasises that BAs have had a discernable impact on project design and implementation. In approximately 84 percent of the 41 projects sampled, programme designs were altered to better match the needs of targeted groups and improve and/or change the services provided as a result of BAs (12); subsequently, the coordinators of these projects claimed that the quality of operations improved significantly (17).

BAs integrate beneficiary considerations into project design by relying on systematic consultations with targeted groups. In order to understand the beneficiary perspective, the World Bank employs various qualitative research methods, including participant observation, focus groups and conversational interviews (World Bank, 1996). The methodology ultimately requires development workers to travel to targeted locations and meet with potential beneficiaries to identify constraints to development, participation and effective implementation (World Bank, 1996).

Implementation of a Beneficiary Assessment

Due to time and resource constraints, this paper does not rely on fieldwork. Rather, it builds on existing literature, information gathered from field work conducted by other authors, past interviews of beneficiary associations, and an informal interview conducted by the author to assess the perspective of landless peasants regarding land reform generally and *Cédula da Terra* specifically. Documents from the World Bank, Brazilian government and independent evaluations provide background information on *Cédula da Terra* design, implementation and outcomes. These are then analysed using a beneficiary framework to determine whether the program's design effectively addressed landless grievances. Finally existing land reform literature and past CT assessments will be analysed using a beneficiary framework to determine how unacknowledged beneficiary concerns affected project implementation and outcomes.

Central to beneficiary assessment is the appropriate identification of target groups. *Cédula da Terra's* targeted beneficiaries, the landless, are very active in and vocal about the land reform process. The *sem-terra* include "rural wage workers, day labourers in agriculture, sharecroppers and renters, owners of properties of less than five hectares, and sons and daughters of families that owned less than 30 hectares" (Alston et. al 1999, 60). The majority of Brazil's five million landless families belong to peasant organisations that represent their interests and pressure the government to implement reforms (Alston et. al, 1999). The National Confederation of Agricultural Workers (CONTAG) and the Landless Workers' Movement (MST) are the two most active groups, and represent the same individuals targeted by CT (Medeiros, 2008). MST alone represents over 1.5 million landless in 23 of Brazil's 27 states (MST, 2009b). Between 1989 and 1994, MST and CONTAG members were responsible for 62 and 17.5 percent of land occupations, respectively (Ondetti 2008, 211). The views of the members of these two organisations are thus considered representative of the *sem-terra* perspective. The next chapter introduces Brazil's experience with land reform and *Cédula da Terra*.

Chapter 4: Brazil's Experience with Land Reform

This chapter discusses Brazil's historical experience with land reform. A historical discussion unveils the central role of socio-political power struggles between landowners and the rural poor in conditioning the formulation, implementation and outcomes of past rural policies. Further, *Cédula da Terra* evaluations indicate that the project suffers limitations reminiscent of previously implemented land policies and therefore has failed to resolve Brazil's land issues.

Brazil's Historical Experience with Land Policy

Socio-political power structures have historically influenced Brazil's land policies. During colonialism, the Portuguese monarchy ceded large tracts of land to select supporters. These *sesmaria* laws resulted in high land inequality (Meszaros, 2000). The laws' suspension in 1822 resulted in the significant expansion of smallholder farms. However, in 1850 the government, controlled by landed elites, implemented the *Lei da Terra,* which gave the State power over devolved land and resulted in increased land concentration and exploitation of rural workers (Mezaros, 2000) Due to landowner control of the political process and limited suffrage, little was done to reduce land concentration in Brazil prior to World War II (Lapp, 2004).

Following the expansion of suffrage and the integration of the rural poor into the political process, land reform emerged on the government's agenda. In 1938, the Brazilian government created the Land and Settlement division and began dispersing public lands. *Latifúndias* were first targeted in 1946 when Brazil's constitution legalised the expropriation and redistribution of unproductive land (Alston et. al, 1999). While the formulation of these policies represented a significant victory for the rural poor, implementation was hindered by the political and legal efforts of landowners, which negatively affected the government's ability to seize and redistribute targeted land (Alston et. al, 1999). As a result, reform efforts had a limited impact on land inequality. By 1960 Brazil's land concentration Gini index reached 0.84 (Lapp 2004, 26). During this period, 55 percent of Brazil's population resided in rural areas, but earned only 28 percent of national income (Cehelsky 1979, 37).

Throughout the 1950s and early 1960s, high income and land inequality, coupled with the expansion of suffrage, inspired rural organisations to form and challenge the political power and control of the landed. By 1961 the landless had formed numerous associations, participated in land invasions and organised the first National Conference of Farm Workers at which they called for a radical land reform program (Cehelsky, 1979). President Goulart responded to these pressures in 1964 when he decreed the "compulsory appropriation of land located within ten kilometres of federal motorways and rail lines (Meszaros 2000, 523). Responsiveness to rural interests was short lived. Goulart was overthrown by the military in 1964 in part because his reform efforts threatened landed interests (Lapp, 2004).

While landowners did not directly control the government during the military dictatorship, their political influence empowered them to defeat any substantive land reform programs during this period (Huber and Stephens, 1995). Though the new regime did introduce laws facilitating expropriation, such as the elimination of obligatory prior payment and the linking of compensation to land value, little redistribution actually occurred (Meszaros, 2000). Rather, laws served a primarily ideological function, while actual policies revealed the military dictatorship's preference for preserving landed interests and pursuing capitalist forms of rural modernisation (Cehelsky, 1979; Veiga, 2003). The mechanisation of agriculture, which coincided with this process, was accompanied by landowner violence against peasants and the expulsion of smallholder farmers to remote regions of the Amazon where land quality was poor and access to markets was limited (Rocha, 2003). As a result, between 1964 and 1985 land concentration and rural poverty persisted. By the mid-1970s Brazil's land concentration Gini index rose to 0.854 (INCRA, 2001), and rural poverty remained twice as high as urban poverty (Meszaros 2000, 522).

Following the reassertion of civilian rule and resurgence of rural pressure in 1985, land reform re-emerged on the government's agenda. During the re-democratisation process, by eliminating the literacy requirements electoral reforms increased the number of voters, many of whom resided in rural areas, by approximately ten million (Lapp 2004, 132). At the same time, the *Movimento Sem Terra* (MST) formed to pressure the government into pursuing land redistribution (Navarro, 2005). Efforts by the rural poor and landless did yield some policy successes. In particular, the 1988 Constitution re-asserted the government's right to expropriate land which failed to serve its "social function" (Alston et. al, 1999). However, lobbies representing landed interests managed to eliminate clauses in the constitutional article that would permit the expropriation of properties where unsustainable methods and labour exploitation were being practiced (Alston et. al, 1999). Once again, the organisational and political power of landed interests diluted the success of landless efforts.

Throughout the 1980s, the *Instituto Nacional de Colonização e Reforma Agrária* (INCRA) was charged with expropriating and redistributing unproductive properties. During this period, President Sarney enacted the *Primeiro Plano Nacional de Reforma Agrária* (PNRA), which aimed to resettle seven million rural workers over a 15 year period (Lapp 2004, 134). However, opposition groups representing landed interests, such as the Rural Democratic Union (UDR), hindered full implementation through armed resistance, parliamentary lobbying and media alliances (Mello, 2009). Partly as a result of this opposition and limited program funding, Sarney settled only 90,000 families, and achieved only 6 percent of his stated goal (Mello, 2009). In the mid-1990s, in an effort to ameliorate rising rural tensions and accelerate redistribution, state-led redistributive reforms were complemented by the World Bank's market-led efforts.

Introduction of Cédula da Terra

By the 1990s approximately 2.5 million individuals in Brazil qualified for redistributed land (Deininger 2001, 335), and land concentration remained stagnant at 0.84 (INCRA, 2001). While Cardoso initially balked at implementing redistributive reforms, his position changed after land reform gained public support following two bloody confrontations between *sem-terra* squatters and government troops, which left 32 landless dead (Ondetti 2007, 13). In 1996 the World Bank joined President Cardoso in implementing *Cédula da Terra*. The World Bank's market-led approach was hailed as a less costly, quicker and less confrontational approach to redistribution. However, as will be discussed in the remainder of this paper, the World Bank applied purely technical solutions to a problem imbued with historical and socio-political significance, thus negatively affecting CT's acceptance by the landless as well as its success.

Cédula da Terra was implemented in five states in Brazil's northeast region – Bahia, Ceará, Maranhão, Minas Gerais, and Pernambuco – between 1996 and 2001. The program intended to increase rural household incomes and increase agricultural output through negotiated land sales financed by government loans (World Bank, 2003). It targeted the rural poor who did not own sufficient land for subsistence farming and who earned less than US$15,000 annually (Wolford 2005, 249). Smallholder farmers and rural labourers united to form associations through which they identified desired land

and negotiated prices with landowners. After negotiated prices were approved by state bodies, the government issued loan-grants of up to US$11,000 per household for land purchase and investment (de Janvry et. al 2001, 292). The loans were to be repaid at the government's long term interest rate within 10 years following a 3 year grace period. The remaining portion of the government loan became a grant for on-farm infrastructure (irrigation and roads) and/or social facilities (housing, schools, healthcare centres) (de Janvry et. al, 2001). Households also received a start-up grant of US$4,400 for resettlement purposes (World Bank 2003, 5). Finally, land titles were transferred following loan repayment (Roumani and Coirolo, 2005).

Successes and Limitations of Cédula da Terra

Cédula da Terra evaluations indicate that the program did reduce the cost of land reform, increase rural production and employment and reduce government-landowner conflict. However, they also find that CT was less successful in improving household well-being, redistributing fertile land and ensuring settlement sustainability.

From a government and landowner perspective, *Cédula* was an efficient alternative to state-led redistribution. While legal wrangling often delayed redistribution through expropriation, the market-led approach settled beneficiaries within 90 days (World Bank 2003, 31). Evaluations also indicate that CT was slightly less costly than expropriation – costing on average approximately US$12,800 compared to US$14,430 per family (World Bank 2003, 24). Further, beneficiaries were able to increase the share of household agricultural production entering the market[4] from 13 percent in 1998 to 33 percent in 2003 (Sparovek and Maule 2007, 8). The pilot project also contributed to rural employment growth as "settlement projects created employment for about four individuals per beneficiary family" (Roumani and Coirolo 2005, 3). Finally, CT resulted in less conflict between the government and landowners since the latter have historically advocated for full payment for redistributed land (Medeiros 2008, 92). From a World Bank perspective, these outcomes signal the success of CT. As will be seen however, beneficiaries were less enthusiastic.

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[4] Here the agricultural output is divided into production for subsistence and market purposes. The figures indicate the share of production entering the market increased.

Evaluations regarding the programme's impact on household well-being have yielded mixed results. Roumani and Coirolo (2005) contend that CT raised real family incomes by 75 percent,[5] and moved many families above Brazil's national poverty line (3). However, Borras (2003) notes that if the average income of beneficiaries, rather than the national poverty line, is used to assess income growth, then the majority of reform regions experienced declines in household average income (380). Further, state-led reforms resulted in higher real income growth and chances of owning a house, possessing durable goods and earning on-farm income than *Cédula da Terra* (Buainain et. al 2002, 70). These observations indicate that while CT did succeed in improving the well-being of beneficiaries somewhat, it was arguably was no more effective than alternative state-led programmes.

The pilot project had less success in other respects. Marginal lands were often settled because relatively low loan values, asymmetric information and high land prices incentivised beneficiaries to settle for cheap land in order to maximise the grant portion of loans for investment purposes (Medeiros, 2008). The majority of funds remaining after purchase were used for farm equipment, housing and living expenses, leaving little for productivity-enhancing infrastructure investment, such as access roads and irrigations systems (Buainain et. al, 2002). Further, while many beneficiaries had little experience running farms and therefore required substantial government technical assistance, few received such services (Medeiros, 2008). The redistribution of marginal lands, combined with limited technical assistance and information asymmetries threatened the productive capacity of settlements and the repayment capabilities of beneficiaries. These weaknesses subsequently contributed to debt evasion and settlement underperformance (Medeiros, 2008).

While quantitative evaluations of *Cédula da Terra* suggest the project left many expectations unmet, they are unable to ascertain whether the program adequately addressed the needs of beneficiaries or illuminate how historically embedded socio-political factors may have affected program implementation and outcomes. This chapter has demonstrated that social and political power dynamics between the landed and landless have historically affected Brazil's ability to implement effective land reforms. The country's recent experience with CT has undoubtedly been similarly affected by these dynamics. With this in mind, the remainder of this paper evaluates CT's design, implementation and outcomes using a modified beneficiary assessment framework.

[5] Here the baseline for comparison was the national poverty line rather than the average income of beneficiaries.

Chapter 5: Beneficiary Assessment of *Cédula da Terra*

This chapter assesses whether *Cédula da Terra* addressed the interests of Brazil's landless population. It concludes that the World Bank failed to acknowledge the socio-political context in which the pilot project was implemented. Principally, the Bank's focus on the economic causes of land concentration resulted in the application of market-based solutions. This approach ultimately depoliticised the reform process, and contributed to its underperformance.

Beneficiary Perspective on Land Reform

The World Bank and landless differ significantly in their conceptualisation of land, inequality and appropriate redistributive policies. First, while land is treated as an economic commodity by the Bank, the landless recognise its social, cultural and political dimensions. The rural poor view the acquisition of land as a means of escaping marginalisation and exploitation, as well as shedding their "bonds of servitude" (Caldeira, 2008; Wright and Wolford, 2003). Owning land provides them with a sense of identity and stability, as well as source of inheritance (Wright and Wolford, 2003). Finally, since landed elites have historically exercised significant political influence and through it undermined past reform efforts, the landless view redistribution as a means of restructuring political power, attaining social justice and promoting human dignity (Mello, 2009; MST, 2007; Witman, 2009).

Additionally, the Bank and landless differ in their identification of the underlying causes of land inequality. The World Bank argues that the rural poor have been unable to purchase land because of illiquid and opaque land markets, as well as imperfect credit markets (Deininger, 2001). The elimination of macroeconomic distortions such as credit subsidies, inflation and macroeconomic instability through neoliberal reforms was expected to correct land market failures. Additionally, the *Cédula da Terra's* loan-grant financing scheme was expected to help beneficiaries overcome credit market constraints (Binswanger and Deininger, 1999).

The landless contend that land inequality persists as a result of historically embedded socio-political structures. They argue that beyond income gains, landed elites attain power, prestige and status from landownership. Therefore, market-reforms cannot solve land market constraints because the elimination of macroeconomic distortions and guarantee of full payment will not adequately compensate the landed for the loss of these non-economic benefits of ownership (McMichael, 2008). Further, the political power wielded by landowners has historically facilitated the group's exploitation of the rural poor, promotion of beneficial policies and hindrance of economically and politically threatening reform efforts. For example, during the military regime, by promoting agricultural modernisation, the landed were able to secure preferential tax arrangements and credit subsidies, while simultaneously driving the rural poor off the land (Medeiros, 2006). In fact, according to the *sem-terra,* the very implementation of CT symbolises an elite victory. The landless argue that a MLAR approach legitimises the rural structures from which exploitation and marginalisation arise, and reinforces the power of the landed within that structure (Wolford, 2007).

As a result of diverging concepts of land and sources of inequality, the World Bank and landless differ in their conceptualisation of land reform. According to Bank documents, principle reform goals are the alleviation of poverty and promotion of agricultural productivity through increased access to land (World Bank, 2003). Beyond shared goals regarding improved income and agricultural output, the landless also advocate land reform as a method of correcting socio-economic inequities, challenging historically embedded rural power hierarchies and achieving social justice in the countryside (Stedile, 2008; Witman, 2009; Woods, 2008).

Beneficiary-World Bank Divergence on Programme Design

The World Bank and rural poor advocate drastically different land redistribution programmes because they differ in their views regarding both inequality and reform goals. The economic perspective employed by the Bank influences its faith in the ability of MLARs to correct distributional inequalities. On the other hand, the socio-political lens through which the landless analyse unequal distribution explains their rejection of the market-based approach. If land inequalities do in part result from macroeconomic distortions caused by state intervention[6], then MLAR programmes would likely be effective in reducing land concentration and increasing rural incomes and agricultural productivity. Programmes would also be justified in minimising the state's role in the redistribution process. However, if inequalities are reinforced by socio-political structures, a market-approach will be less effective since it fails to sufficiently address these factors.

[6] In addition to distortions caused by credit and land market imperfections

Additionally, state intervention will likely be necessary to overcome such constraints. Since potential land redistribution beneficiaries commonly adhere to the latter belief, their faith in the market approach is weak.

The landless oppose market-led redistribution partly because they support greater state involvement in the reform process (Stedile, 2002; Stronzake, 2005; Mello, 2009). The MST argues that since Brazil's constitution legalises the expropriation of unproductive lands, it is the government's constitutional duty to redistribute land and provide settlements with technical assistance, public services and credit (Mello, 2009). CONTAG contends that CT encourages the abdication of this responsibility while simultaneously ceding power over redistribution to the market, which often reinforces existing inequalities (Branford and Rocha, 2002). Ultimately, it is argued that by advocating a market-based approach, the World Bank and Brazilian government legitimate the prevailing property rights regime, reinforce the power and interests of landed elites, and thus undermine the social justice aspirations of landless reform advocates (MST, 2009a; Wolford, 2007, Musembi, 2008).

Ultimately, the landless oppose MLAR ideologically because it depolticises land issues. The *sem-terra* believe that in order to overcome social and political inequalities, central government coercion is necessary (Lahiff, 2008). Since a market-based approach principally concerns itself with the transfer of land, it also undermines the comprehensive reform package proposed by the landless. The rural poor view the delivery of land, infrastructure, healthcare, education and technical assistance as the state's obligation and as a source of socio-political empowerment (Stedile, 2002). Within a MLAR framework, the delivery of such services is also ceded to the market (Borras, 2003).

Socio-Political Factors Affecting Implementation

Implementation failures of *Cédula da Terra* result in part from inadequate consideration of the socio-political factors affecting rural relations. The World Bank anticipated that CT would be a quicker method of redistribution. In support of this claim, the Bank (2003) cites that the time elapsed between the identification of land and actual settlement by beneficiaries was on average 90 days (31). However, speed and efficiency can be measured at the societal, not just settlement level. In order to effectively impact national concentration, CT would have to redistribute a large quantity of land. However, Table 1 indicates, while Cardoso settled 215,000 families through land reform within his first term, only 14,100 families were settled through CT. Between 1997 and 2001, 886 properties were expropriated in CT states while MLAR only created 551 settlements (Table 1). By 2007, after years of national implementation, Lahiff et. al (2008) estimate that over ten times as many families benefited from state-led redistribution as from market-led reforms (Lahiff et. al 2008, 9). Therefore, while Brazil's land concentration Gini index fell by 0.05 between 1998 and 2000, concentration in *Ceédula da Terra* states fell by less than Brazil's average or that of the northeast region[7] (Table 2).

Furthermore, MLAR may have contributed to increased land concentration by ignoring the social justice concerns of the landless and granting control of the redistributive process to landowners. By ensuring full payment for land and leaving information asymmetries unresolved, the market-led model incentivized landowners to sell undesirable land and attain funds for the purchase of larger and better territories, thus perpetuating high land concentration (Mello, 2009). Overall, market-led projects have been disappointingly slow in addressing Brazil's inequalities.

Table 1: MLAR and INCRA Comparison

Region	**Properties**	**Area Redistributed (ha)**	**Number of families**	**Land prices (US$†/ha)**
BR	2,802	7,071,471	215,082	413
INCRA: *Cédula da Terra* States	886	1,953,667	102,057	147*
MLAR: *Cédula da Terra* States	551	370,631	14,102	148

Source: Silveira et. al, 2008 & Author's calculations

† Calculated at average 1998 exchange rate (R$ = US$1.50)

* Value "takes into consideration the discount that corresponds to the payment o the dispossession value in titles (Silveira et. al, 2008).

[7] This subsample excludes the states participating in *Cédula da Terra*. The low impact of MLAR on the land concentration index is not driven by lower marginal gains as a result of lower initial land concentration. Historically the Northeast region has been one of the most unequal in terms of land inequality, a factor which drove the implementation of CT in the region.

Table 2: Land Concentration over Time

Region/Year	1978-1992	1992-1998	1998-2000
Brazil	-0.027	0.014	-0.050
Northeast*	-0.018	0.012	-0.031
MLAR: *Cédula da Terra* States	-0.034	0.016	-0.026

Source: INCRA, 2001 & Author's Calculations

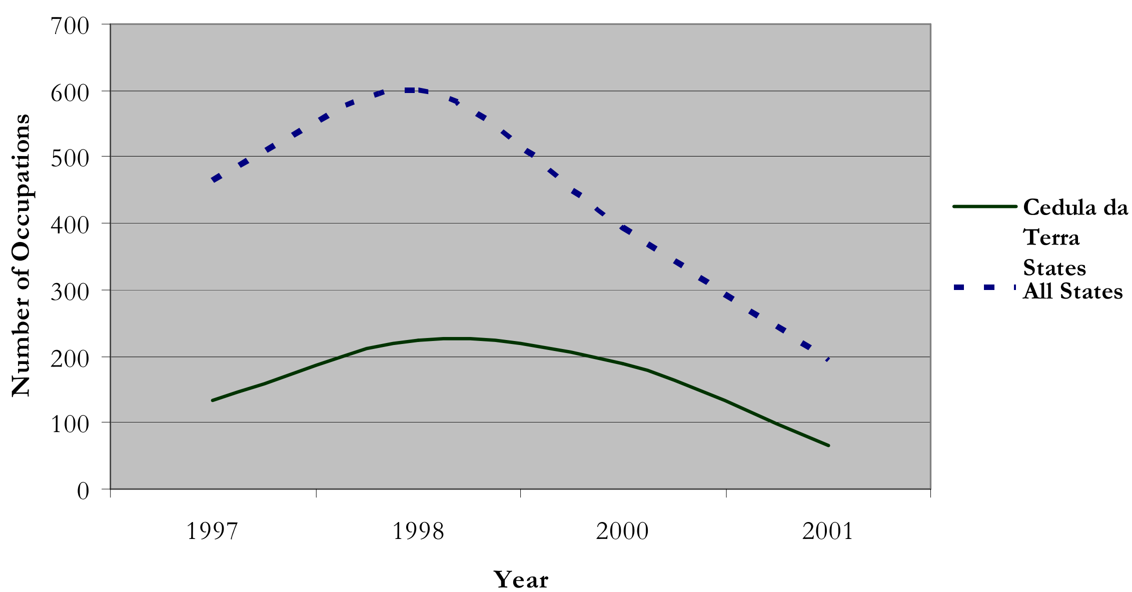
Secondly, the World Bank promoted *Cédula da Terra* as a significantly less costly method of redistribution. However, the programme had only a limited impact on programme costs and may have increased non-programme costs by failing to acknowledge the socio-political concerns of the rural poor. CT cost on average only US$1,630 less per family than state-led expropriation (Buainain et. al, 2002). In part, as will be discussed shortly, a dramatic decline in costs did not materialize due to high land prices, debt defaults and farm abandonment. Additionally, by shifting the cost burden of land purchase onto the landless, CT fostered rural unrest and increased the non-programme cost of redistribution.

The landless believe that unequal land distribution is perpetuated by the economic policies advocated by landed elites; as a result, the cost of reforms should be borne by the government and landowners (Stronzake, 2005). However, *Cédula* shifted costs onto the landless, who not only bore the cost of land purchase through loan repayment, but also the cost of negotiation and investment (Wagner, 2000). *Sem-terra* advocates argue that by shifting the cost burden onto beneficiaries the programme fundamentally undermined the attainment of social justice, created disincentives to participation and incentivised rural unrest (Lahiff et. al, 2008). While these outcomes are not directly included in "project costs," they do represent medium- and long-term social, economic and political costs of program implementation. Tangibly, rural unrest resulting from dissatisfaction could affect agricultural productivity and state legitimacy, as evidenced by increased conflict between the government and the landless following programme implementation. For the landless, US$1,630 was insufficient to compensate or offset these non-programme costs.

Finally, according to the Bank and Brazilian government *Cédula da Terra* would reduce conflict surrounding redistribution. However, only landowner-government conflicts were affected. Landowners have historically advocated full payment for land, and have engaged the government in protracted legal battles regarding expropriation. The market-approach reduced landowner-government conflicts because the landed not only received full payment, but also gained control over the selection and sale of properties (Pelvin, 1999).

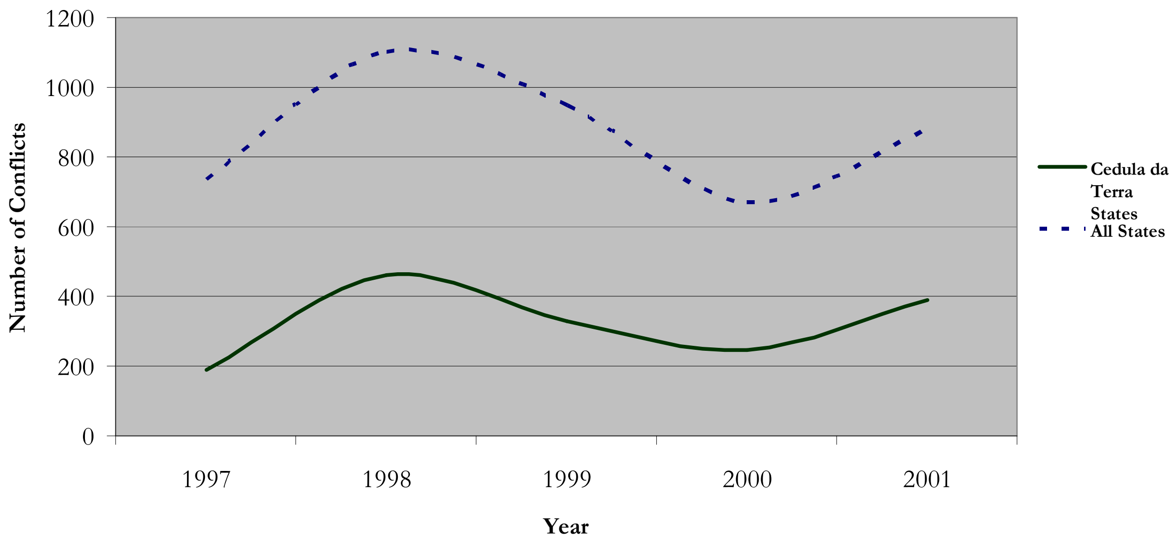
Conflicts involving the *sem-terra* persisted. Both occupations and land-related conflicts rose following CT implementation in 1997, signalling landless dissatisfaction with the programme. Figure 1 shows the increased quantity of land occupations following project implementation and the slower rate of decline in occupations among *Cédula* states in subsequent years. Further, in the states targeted by *Cédule da Terra* between 1997 and 2001 conflicts over land initially increased (Figure 2). The MST also continued to pressure the government for reforms through symbolic marches to Brasília, including the "March for Land Reform, Jobs and Justice" in 1997 (Martins, 2000). Because the landless felt that MLAR undermined their reform goals, the programme strengthened the conflict between the government and rural poor (Stedile, 2002). The World Bank's claims of reduced conflict are therefore overly optimistic.

Figure 1: Land Occupations



Source: CPT, 2009

Figure 2: Land Related Conflicts



Source: CPT, 2009

Ultimately, CT experienced implementation failures. By emphasising redistribution through the market, the World Bank's approach failed to correct socio-economic inequalities, legitimated the power of the landed and reduced the state's accountability. The persistence and importance of these socio-political factors reduced the efficiency of the market-led approach, failed to significantly reduce the cost of redistribution and spurred social unrest. These factors also impacted project outcomes.

Impact of Socio-political Factors on Outcomes

Although *Cédula da Terra* was not formulated to address rural power imbalances, the existence of socio-economic inequalities nonetheless affected outcomes. The National Forum for Agrarian Reform and Justice in the Countryside[8] recognised the potential for *Cédula da Terra* to underperform. It therefore petitioned the World Bank to create an inspection panel to investigate CT (Medeiros, 2008).[9] Specifically, the Forum feared that the exclusion of landless concerns regarding rural power structure in CT design would contribute to elite capture, price inflation, unsustainable debts and

[8] The National Forum represents a coalition of organisations representing the interests of the rural poor (Mediros 2008, 90)
[9] For detailed information regarding the request and subsequent World Bank response refer to World Bank, 1999

government retrenchment from the reform process (Medeiros, 2008). While the Bank rejected the Forum's requests, the landless were justified in their concerns regarding project effectiveness.

First, Borras (2003) finds that the beneficiary self-selection process was manipulated by landowners, local government officials and church personnel. This resulted in beneficiary associations characterised by closer ties with landowners, stronger political connections and greater knowledge of the local land market (Schwartzman, 1999). It appears that local socio-political relations affected beneficiary selection and hindered the participation of the poorest peasants. These factors are reflected in the income profile of programme beneficiaries. The average annual household income of CT settlers was US$111 higher than that of INCRA settlers (Buainain et. al, 2002; Sparovek and Maule, 2007). CT beneficiaries also had higher levels of education, better housing conditions and more agricultural experience (Silveira et. al, 2008). Because both the landless and World Bank support the resettlement of the poorest rural peasants, CT's beneficiary profile is a project limitation (Mello, 2009).

Second, the World Bank predicted that macroeconomic reforms would result in lower market land prices. However, prior to promoting MLAR the Bank recognised that providing beneficiaries with credit for land purchase would be an ineffective redistributive tool due to pre-existing political, economic and informational asymmetries among negotiating agents (Binswanger et. al, 1993). Silveira et. al (2008)[10] found that the difference in price for expropriated and negotiated land was minimal. The central difference is that under CT, beneficiaries bore the cost (Silveira et. al*,* 2008). The situation resulted from both a 3:1 land demand-supply ratio and non-economic factors (Borras 2003, 389). While the market approach assumed equal bargaining power of negotiating agents, in Brazil the playing field remained uneven. As Lohdi (2008) explains, because land markets are embedded in wider social and political structures the identity of negotiating agents impacts outcomes. Not only do politically powerful landowners influence the regulations that guide market interactions, but they also have more complete information regarding the underlying value of land (Schwartzman, 1999). Information asymmetries therefore contributed to beneficiaries overpaying for land. Additionally, Bruno (cited in Medeiros, 2008) found that while some beneficiary associations appeared to pay less than was demanded by landlords, many had made prior side-payments to secure

[10] See Table 1 above

agreements. The elimination of macroeconomic distortions was thus insufficient to lower prices and create more transparent and liquid land markets.

Similarly, the bargaining power of negotiating agents influenced the quality of land redistributed. The power of landowners under *Cédula da Terra* over the selection and negotiation process ensured that land sales would primarily reflect owner interests. The project allowed "landowners to dump less desirable plots in return for immediate cash, protecting their prime holdings – idle or not – from disappropriation" (Pelvin, 1999). The result was the redistribution of insufficient and marginal lands. According to some estimates, families on average received 14 hectares through CT, which is below the size necessary for subsistence (Medeiros 2008, 96). Additionally, many settlements lacked productive capacity because they were distant from markets, and lacked road access and/or irrigation systems (Wright and Wolford, 2003). Notably, both beneficiaries and landowners contributed to the redistribution of unproductive land. Beneficiaries possessed limited information regarding land quality, had an incentive to choose cheap land in order to maximise the grant portion of loans and had limited negotiating experience (Medeiros, 2008). Landowners on the other hand, controlled information regarding land quality and price, had greater experience in negotiation, and had no individual interest in dispensing high quality land.

Finally, by failing to acknowledge landless advocates' demands for increased government intervention, *Cédula da Terra* undermined settlement sustainability. In fact, one government official estimated that only 18 percent of settlements would survive (Branford and Rocha, 2002). The high cost of land contributed to low funds available for productive investments and necessitated access to additional credit. However, rural areas remained under-serviced by the banking sector and the government failed to provide additional funding (Sparovek and Maule**,** 2007).

Further, the low quality of land coupled with beneficiaries' limited management experience increased demand for government technical assistance. Because beneficiaries were required to pay for extension services, only 39 percent of CT beneficiaries were able to access government services (Veiga, 2003, 96; Buainain et. al, 2002). Reduced and insufficient access to credit and assistance services lowered the technological usage in settlements and reduced the income gains among *Cédula* beneficiaries (Buainain et. al, 2002). In fact, studies of later MLAR programmes found that 40 percent of beneficiaries had zero or negative income once living expenses were deducted from agricultural income (Ondetti, 2006). As a result, the majority of beneficiaries were unable to repay their loans (Wright and Wolford, 2003).

The landless have historically emphasised the need for significant government intervention in the redistributive process. Land reform, they argue, involves much more than the redistribution of property rights. It therefore cannot be accomplished without sufficient government funds, technical assistance and services (Mello, 2009). On the other hand, with *Cédula da Terra* the World Bank deemphasised the government's role because it assumed the market would efficiently allocate resources and ensure sustainability, and that a loan of US$11,000 would be sufficient to cover the cost of land purchase and investments. However, as a result of socio-political inequalities, the Bank's expectations were not met. The market failed to allocate resources efficiently, and by inadvertently depoliticising the reform process, the World Bank allowed the government to shift the burden of sustainable reform on beneficiaries and shirk its own responsibility. Throughout Cardoso's administration, the government did minimise its role in redistribution. During his two terms the government budget for state-led redistribution fell by 14 percent; even funding for CT was affect, falling by 24 percent; and finally, in 1999 he eliminated special credit and technical assistance programmes for reform beneficiaries (Ondetti 2006, 8). These actions contributed to the unsustainability of reform settlements.

As this chapter has shown, *Cédula da Terra* was ineffective from a beneficiary perspective. The World Bank and targeted groups differed in their conceptualisation of land, inequality and appropriate reform policies, with the former emphasising economic and ignoring socio-political factors. As a result, *Cédula* failed to increase the speed of national land de-concentration; shifted the cost of reform onto beneficiaries; and exacerbated conflicts between the government and landless because it reduced the government's responsibility for correcting inequalities and empowered the landowners by legitimating their right to dictate the terms of redistribution. Finally, the project's unconcern for socio-political power asymmetries negatively affected program outcomes by contributing to elite manipulation of beneficiary selection, price inflation, redistribution of poor quality land and low settlement sustainability.

Chapter 6: Concluding Remarks

By evaluating Brazil's *Cédula da Terra* project using a modified beneficiary assessment framework, this paper has demonstrated how the World Bank's market-led approach to land reform overlooked the socio-political concerns of beneficiaries in the project design phase, and how the persistence of these unaddressed factors negatively affected project implementation and outcomes. This paper argues that a beneficiary approach is warranted because traditional quantitative evaluations are ill-equipped to analyse the complex cultural, historical, political and social factors that plague land reform debates worldwide. Quantitative evaluations are useful in determining whether project goals are met. Since the World Bank emphasises the economic importance of land reform and determines project targets, its evaluations primarily analyse economic indicators such as land prices, land quality, household income and agricultural productivity. A beneficiary perspective, however, permits a comprehensive context-specific evaluation of project implementation and outcomes, as well as project design.

Brazil's *Cédula da Terra* was chosen as a case study because land issues have long plagued the country and the pilot project has served as a model for land reforms implemented elsewhere. Since the colonial period Brazil's high land concentration has pitted landowner interests against those of the rural poor. Historically, due to their higher capacity for collective action and greater political power and social influence, owners have successfully retained power over Brazil's agricultural policies (Binswanger and Deininger, 1997). Peasant attempts at correcting land inequalities have often been thwarted by the efforts of landed elites protecting their self-interest through violence and collaboration with the government. From the overthrow of Goulart who supported the distribution of unproductive land (Lapp, 2004), to the predominance of commercial farming interests in agricultural policy during the military regime and the bloody suppression of landless efforts at expropriation during the early 1990s, the landed have successfully maintained their control over Brazil's arable land (Alston et. al, 1999). The World Bank's *Cédula da Terra* attempted to reduce Brazil's high land inequality. Because the project viewed land as an economic commodity, the Bank implemented a market-based approach to redistribution. According to the landless, this approach reinforced and legitimated the very socio-political structures that the landless wished to alter (Mello, 2009).

For the landless, land reform involves more than the transfer of land; it involves the transformation of deeply embedded economic, political and social structures, the correcting of historical injustices against rural workers and the empowerment of the poor (Stedile, 2008). According to the *sem-terra*, land reform should involve significant government intervention in redistribution and service delivery, punishment of large landowners through expropriation and political and social integration of the rural poor (Mello, 2009).

These political and social goals were ignored in the World Bank's *Cédula da Terra*. The landless perceived the programme as fundamentally opposed to their interests. Specifically, the depoliticisation of land reform reduced government accountability for the persistence of inequalities and moved redistribution from the political domain into the market domain, which is heavily influenced by landed interests (Mello, 2009). According to the *sem-terra,* CT reflected the interests of the government and landowners. It legitimated the property rights of and ensured full payment to landowners. It reduced the role of the government in redistribution and post-settlement service delivery by leaving these operations to the market (Stedile, 2002). Through these mechanisms and the loan-grant financing scheme, MLAR shifted the burden of reform from the government and landowners onto the landless.

The World Bank's implementation claims of efficiency, lowered costs and reduced conflict failed to materialise as a result of socio-political factors. *Cédula da Terra* had an insignificant impact on national land and power distribution due to the small quantity of land distributed and families settled. Programme costs were not significantly lowered and non-programme costs likely rose as a result of landless dissatisfaction with CT. Finally, by favouring landowners, the pilot project spurred, rather than stifled, peasant-government conflict.

Further, though ignored, the persistence of non-economic inequalities affected project outcomes. Quantitative evaluations by Borras (2003), Bruno (1999, cited in Medieros, 2008), Buainain et. al (2002) and Sparovek and Maule (2007), among others, indicate that *Cédula da Terra* underperformed relative to expectations. This paper moved beyond a quantitative analysis of project outcomes and discussed the role societal power imbalances played in determining programme results. Specifically, it showed that the persistence of socio-political inequalities resulted in imperfect targeting due to the manipulation of beneficiary associations; the inflation of land prices beyond properties' productive value; the sale of unproductive lands; and the reduced sustainability of settlements due to asymmetric information and limited government assistance.

While the particular historical, economic, political and social factors discussed in this paper apply specifically to Brazil, beneficiary concerns throughout the developing world regarding non-economic factors and their effects on MLAR project outcomes are similar. Past quantitative evaluations of MLAR programmes in South Africa, the Philippines, Colombia and Guatemala indicate that these programmes have suffered from the manipulation of beneficiary associations, inflated land prices, poor quality of redistributed land, low project sustainability and persistent social unrest. Importantly, these evaluations have been unable to fully explain project failures. A beneficiary perspective, as applied in this paper, could shed light on the underlying non-economic causes of poor outcomes by addressing the country-specific, socio-political factors affecting agricultural relations and land redistribution policies.

A fuller and more complex evaluation of market-led redistributive policies is necessary in light of World Bank support for such reform efforts throughout the developing world. Because many developing countries continue to rely on agriculture for production and employment, and due to the high portion of the world's poor that reside in rural areas, land reform remains both a contentious and critical issue for development. Appropriately designed and implemented land redistribution programmes, such as those completed in Japan, South Korea and Taiwan following World War II, can correct socio-political inequalities, reduce poverty, enhance agricultural productivity and spur national development. Inappropriately designed programmes can contribute to social unrest, political instability and the breakdown of the agricultural sector, as has occurred in Zimbabwe. Unfortunately, MLAR programmes have remained ineffective at accomplishing comprehensive land reform. To improve the capacity of future projects, whether market-led or not, and to satisfy the need for land redistribution, non-economic factors should be integrated into project design and implementation. Otherwise, high land concentration, low productivity and high rural poverty and socio-political inequalities will prevail in developing nations.

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