Land Reform in Brazil: the arrival of the market model

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Abstract

In this work I will analyze past and current agrarian public policy concerning land redistribution in Brazil. Firstly, to understand the current land tenure situation the introduction will provide a description of the overall unequal land distribution. Secondly, a comparative analysis of the state-led land reform and the market-led land reform will establish the differences between the two approaches at light of land reform as a public policy tool. A historical review of the state-led land reform will be made, the results concerning reorganization of agricultural structure and the welfare of the peasants will be presented. Upon the market-based land reform analysis, a different interpretation of land tenure issues arises. The new interpretation in the political system will require a new role of the government in addressing these issues. An analysis on the organizational structure and welfare of the peasants will also be presented. The main results of this work is that the market-based land reform is failing to address the broad socio-economic issues at the macro level, although it is still a relatively new land policy approach and improvement is possible. Furthermore, the state-led land reform is also failing to address the macro level issues. In conclusion, both approaches fail in their main objective at the macro level

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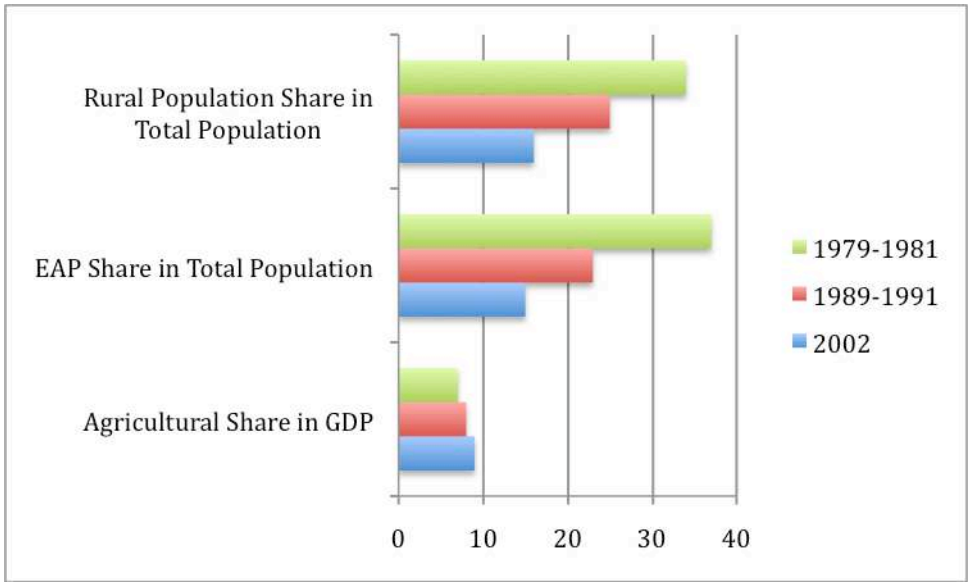
and remain only as political tools each with different meanings and non-conflicting political spaces. However, at the micro level, the improvements in life quality of the rural poor justify the permanence of both land reforms.

1. Introduction: Land Concentration

Brazil is known for having one of the most concentrated distributions of land in the world. The historical roots of this concentration is linked to the colonization strategies of the Portuguese Monarchy that divided the whole territory in stripes called *Captanias Hereditárias*, which where large land areas donated to few members of the Portuguese elite that maintained close ties to the Crown. Other land policy of the Crown was the distribution of large land grants - *sesmarias* - to colonizers that were following the Portuguese military and political goals. These areas of land with few owners developed in large part cattle ranches, sugar, and coffee plantations, which were the impulse of the economic cycles from the XVI through the XX century. The Land Law of 1850 (*Lei de Terras*) further contributed for the oligopolization of the land by prohibiting squatting in public lands. Furthermore, with the beginning of the industrial cycles due to the *Plano de Metas* and the *Plano Nacional de Desenvolvimento* (PND I, 1970-1974 and PND II, 1975-1979), the rural system was always marginalized and characterized as having unsatisfactory performance. The production increase was focused on the agricultural frontier expansion rather then productivity, resulting in wage depression for the rural workers (Hall, 1990; Serra, 1982) and a historical disproportion of the agricultural GDP compared to the economically active population in agriculture (EAP) and the total rural population as observed in Figure 1

Figure 1. Population Percentage in the Agricultural Structure

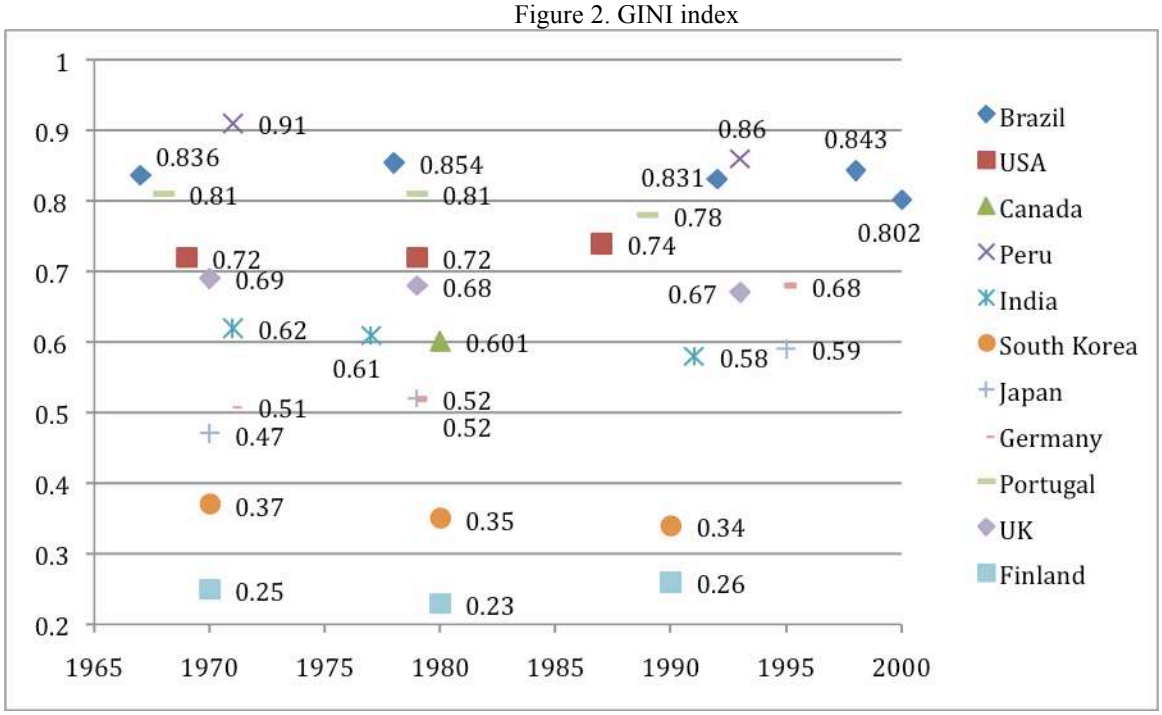


Source: Franko 2007.

To illustrate the high levels of land concentration resulted from historical events the GINI index is used since it enables comparisons in time and between countries, with some restrictions (Figure 2). The comparative analysis between countries can be performed observing that the amount of land that enters the calculation varies between countries, as well as the estate definition, whether it is measured by production units or by property domain. Canada shows the lowest GINI index for the Americas, however the calculation made there considers exclusively agricultural land (7% of the total land), excluding lands used for other purposes such as mining and reforestation. The Brazilian GINI can be compared in time with some restrictions - land considered for the calculation was reviewed in 2000 to include the effects of land reform settlements, and to exclude from the database public lands and lands that fall within the INCRA's (*Instituto Nacional de Colonização e Reforma Agrária* – Colonization and Land Reform National Institute) new laws combating the called "paper lands" and *grilagem de terras*, which is a common practice in Brazil where people register fake lands, specially in regions

where the frontiers are not very clear, e.g. North and Northeast regions. According to the new methodology, 83 million hectares used for calculations where reconsidered, the calculation is based on the INCRA's rural estate database, which includes mining and reforestation areas, national parks, and native Indian lands.

Figure 2. GINI index



Source: MDA/INCRA 2000 & FAO.

Thereupon, inclusion of the new settlements and exclusion of 48 million hectares from the calculation explain the sudden decrease of the GINI index from 0.843 to 0.802 from 1998 to 2000. Approximately 30% of this variation is due the inclusion of land reform areas in the new calculation and 70% to the remaining effects of new laws and database errors. As we can see, Brazil has always presented a high pattern of land inequality, concentrating itself on the top part of the Figure 2. According to the 1996 census, 89% of the less then 100 hectares land owners

accounted for only 20% of the land, whereas 1% of the more than 1000 hectares land owners added up to 45% of the total land available (Sauer 2006).

2. Land Reform as a Public Policy Tool

Nevertheless the extreme land concentration, Brazil has the highest rural population of the western hemisphere, 30 million people, representing 16% of the total Brazilian population living in rural areas. Approximately 80% of the Brazilain rural population lives under poverty conditions (FIDA, 2007). The population size that could benefit from agrarian reform varies. The Applied Economics Research Institute (IPEA – *Instituto de Pesquisa Econômica Aplicada*) estimated that 4.5 million families could benefit from agrarian reform, whereas in 1971 José Gomes da Silva estimated 2.43 million families. In 1985, the National Agrarian Reform Program proposal did not reach an exact number, stating between 6 and 7 million beneficiary families, and in 1993 the MST estimated approximately 3,04 million potential beneficiary families (Sauer, 2006).

Considering this scenario and that land is not simply a commodity but also a source for life and society, Land Reform is a policy that has always to be debated. From the 1960's until today Land Reform has been in the policy agenda of the Brazilain government and as a popular social reference, since it has been implicated as one of the causes of the military coup in 1964 and is the cause of the biggest social movement of the world, the MST (*Movimento dos Sem Terra*) (Martins, 2006). However, the intents of the policymakers proposing agrarian reform vary according to national, as well as international, economical, and political factors. The intents changes not only according to the policymakers intentions, but because intrinsically Land Reform can be interpreted socio-politically for dignity, justice, sovereignty, national

enfranchisement, and democracy, or moreover in the economic sense of establishing a land market, property rights, institutions for technology, production, and economic dynamism. From a tool for disabling social movements and transforming them slowly into small-scale conservative farmers to radically changing the social structure of a country. According to Mônica Martins (2006), "This challenging contradiction helps to explain why agrarian reform cannot be labeled as conservative or revolutionary per se, it is a tool, and what makes the difference is who controls it".

3. State-Led Land Reform

Land Reforms can be divided in basically four categories (Courville & Patel, 2006):

1. Cold War Proxies: land reform was pursued in the effort to adjust social relationships within the eastern block foreign and economic policies, serving as a tool to control peasants' behavior and dissolve revolutionary forces. Cases: El Salvador, Honduras, Philippines, and South Vietnam.

2. Endogenous Social Revolution: the state in these cases played a big role expropriating large extensions of land, thus remodeling the socio-economic system and addressing the long-standing issues of land and social inequality. Cases: China, Cuba, Mexico, Soviet Union, and North Vietnam.

3. Postwar Allied Consolidation: land reforms were established according to the post World War II dominant political actors to address the needs of a growth model based on industrial expansion. Cases: South Korea, Japan, Taiwan, and Germany.

4. Endogenous Political Compromise: land reforms are carried in response to social movements and new demands of primary export-oriented policies. Limited amounts are expropriated and few people are contemplated. Cases: Guatemala, India, South Africa, Zimbabwe, and Brazil.

The land reform model characterized by an endogenous political compromise is consistent with the Brazilian case since the theme is part of the political agenda until current days. State-Led Land Reform (SLLR) was first mentioned in 1946 when the National Constituent Assembly declared the need to "promote the just distribution of property, with equal opportunity for all" (Hall 1990). However it never drew much attention from policymakers until the presidency of João Goulart (1962-1964), which was committed to implementing a radical Land Reform in response to the Peasant Leagues (*Ligas Camponesas*) and the National Confederation of Rural Workers (CONTAG - *Confederação Nacional de Traballhadores na Agricultura*) demands that were drawing attention from the political and economic elite due to their increasing display of compromise in addressing land tenure issues, including violent protests sometimes. The military overthrew Goulart in 1964 and established Land Reform as a matter of national security. The new president General Castello Branco promulgated the Land Statute (*Estatuto da Terra)* to address the issues of social tensions that were spreading throughout the field, the new statute demanded the expropriation based on "social interest" of *latifundios* that were over 600 times bigger than the regional module size – the regional module size depended on the region, population density, land quality, and type of developed activity. The expropriation scheme excluded family farms under 3 times the regional module size, areas outside the land reform priority zones, and rural enterprises - despite of their sizes - that were considered to use the land economically and rationally. On the other hand, the first two National Agrarian Reform Plans (PNRA - *Plano Nacional de Reforma Agrária*) in 1966 and 1968 did not

address the redistributive issues and land reform was more used with geopolitical interest for colonization of the country border areas, specially in the Amazon, and government construction areas, as used in dam construction, for example. Redistributive schemes were only applied in areas with heavy conflict where the land demarcation had to be controlled by the state. The government clearly had a "nonconfrontation" policy and in 1971 the Brazilian Institute of Agrarian Reform(*Instituto Brasileiro de Reforma Agrária*) was replaced by the National Institute of Colonization and Agrarian Reform (INCRA), emphasizing the colonization issues. However, the settled peasants lacked government support, with no credit, infrastructure improvement or any means to integrate themselves into the market. INCRA demonstrated no efforts to providing the minimum government support required for the creation of a community. All government efforts were towards the substitution of the industrialization model, which did not direct enough investments into agriculture. As a consequence, the increasing demand for food with the intensification of the emigration movement from the field towards the city, mechanization, and economical incentives created a favorable environment for the monopolization of all state subsidizes, fiscal incentives, and financial support by the large export-oriented agricultural enterprises and companies from other sectors, which did not include lower circuit farmers in their supply chain.

In 1985, with the democratization of the Brazilian political system, the newly created Agrarian Reform and Rural Development Ministry (*Ministério de Reforma Agrária e Desenvolvimento Rural – MIRAD*) launched the New Republic National Agrarian Reform Plan (PNRA-NR). Based on the Land Statute, the PNRA-NR was a radical plan compared to what had been achieved in land reform since 1964, and aimed on settling 7.1 million people until year 2000, of those, 1.4 million on 43 million hectares until 1989. State support was at this time

included in the plan, which included agricultural research towards peasant agriculture, extension inputs, and a special credit program (PROCERA). PROCERA was fundamental in providing the means for securing long term stability on the land received, raising agricultural outputs and farmer incomes, and is active until today.

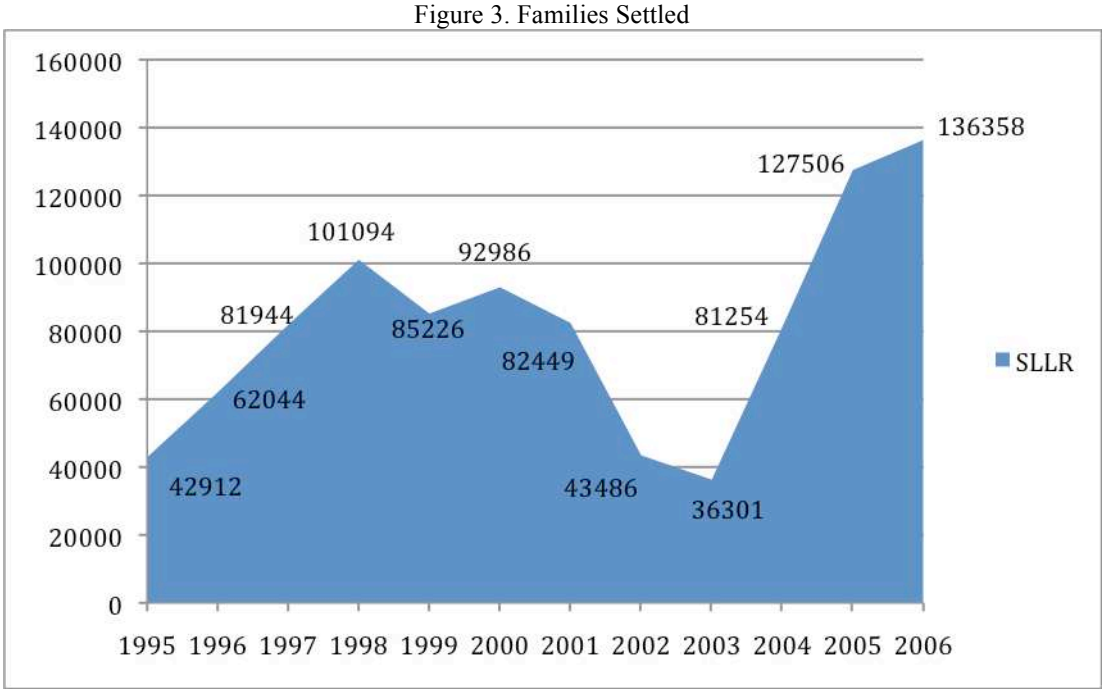
Obviously the Brazilian political and economic elite would not allow such radical policies to be part of the political agenda easily. A lobbyist group called Rural Democratic Union (*União Democrática Rural – UDR*) was promptly created. This group had a strong influence on the upper levels of decision instances, since many high level politics were large landowners themselves. UDR even had a president candidate for the 1989 election. The conflicts on the countryside were aggravated with the violent UDR approach of organizing private militias to stand against the landless peasants occupations. The UDR lobby was successful at the political system level, since consecutive Agrarian Reform ministers resigned due the political pressures and the new constitution was approved with a downscaling of the land reform plans. Furthermore, the MIRAD was abolished and the land tenure issues were completely transferred to INCRA, which was influenced by the National Security Council under control of the militaries.

Therefore, the anti-reform pressure showed to be successful and until 1992 less then 1% of the farm lands had been redistributed, representing less then 10% of the initial proposal - from the 1.4 million people for the short term plan only approximately 80,000 were settled, according to INCRA (Hall, 1990). Moreover, the sense of "social purpose" was maintained in the 1988 constitution demanding the land to be used economically and rationally (e.g., productively), and also expanded so that landlords had to comply with environment conservation laws, labor legislation, and promote well-being of workers, however in the practical implementation only the

productive aspect was considered in the state appropriation process (Sparovek & Maule, personal communication, 2007). The inability and lack of political will of the legislators to determine the strict sense of "social purpose" and what is considered rational and productive land use was a benefit for the anti-reform groups, which could indefinitely argue on those terms. The outcome for land reform issues is, as Hall (1990) argues: "…changes in the original PNRA-NR proposals, coupled with landowners' strong opposition and Brazil's political hiatus surrounding the drafting of a new constitution and the presidential succession, have imposed severe constraints on the resulting law's ability to act as a redistributive tool".

From 1990 to 1994 the land reform was not part of the political agenda due to other issues that dominated the political scene, such as corruption and impeachment of the first democratic elected president Fernando Collor de Mello. Collor and vice-president Itamar Franco did not include land reform plans in their platforms. Inflation and corruption were in the center of the population concerns. With the election of Fernando Henrique Cardoso (FHC), under the idea of constructing a "new Brazil", the land tenure issues were back in the agenda, mostly because of the increasing demands of the MST and the needs for refraining the social tension that culminated in the massacre of MST militants by the state police in Corumbiara (RO) and Eldorado dos Carjás (PA) in 1998 and 1999 respectively.

Figure 3. Families Settled



Source: INCRA

In Figure 3 we can see that the proportion of families settled increased progressively during FHC's presidency with the creation of the Agriculture Development Ministry (MDA - *Ministério do Desenvolvimento Agrário*). A study shows that during FHC's presidency (1995-2002) 96% of the settlements resulted from conflict, 89% as initiative of the peasants, being 64% by occupation and 29% by resistance (Heredia *et al*, 2006). Furthermore, the same study, based on random interviews among settlements, shows that only 1 to 5% of the Brazil's area was redistributed, with the exception of state of Pará, where land reform reached 25% of the area. By the year 2002, FHC had settled 592,141 families. These figures show indeed that land reform can be a government tool to dilute social tensions without addressing the needs for profound changes at the agrarian structure macro level. However, at the micro level the income growth showed to be satisfactory and based on the land received. The income reached a mean of R$3,744, ranging from the minimum of R$1,392 to the maximum of R$5,256, whereas 69% of the peasants derived their income from the land received, 14% from outside, and 17% depended on social

security (Heredia *et al.*, 2006). Furthermore, a socio-economic impact evaluation based on interviews carried out in 1997 and 2000 at INCRA settlements shows an increase of the income from R$871 to R$3,334 (Buainain *et a.l*, 2002).

Luiz Inácio Lula da Silva succeeded FHC in 2003 and, as seen in Figure 3, settled 381,419 families in his first mandate, showing a great commitment with INCRA's land reform. Currently INCRA has increased the support for the settlements and counts with the following programs:

1. Light for everyone: the government considers electricity as a vector for social and economic development. The program started in 2003 and reached 130,000 families already (the installation is free).
2. Technical, social, and environmental assistance program: the goal is to unite traditional wisdom with the technicians' scientific knowledge focusing on agroecology, cooperation, and social economics.
3. Installation Credit: present since 1985 and known as PROCERA. The goal is to promote food security, home construction, water access, and input for production.
4. Infrastructure: provides roads, water, and electricity for the settlements.
5. Consolidation and Emancipation program: with partnership of the Inter-American Development Bank it promotes investment in socio-economic infrastructure, technical assistance, and training. Promoting social, economic, and environmental sustainability, helping the peasants to achieve complete citizenship.
6. Scientific and Technological assistance program: with partnership of the National Council of Technological and Scientific Development (CNPq) the goal is to offer sustainable economic alternatives to avoid exodus and promote basic knowledge in areas like health

and agriculture.

7. Sun Land (*Terra Sol*): promote sustainable development for raising incomes valorizing regional specificities.
8. National Education Program in Land Reform: expand the education levels and democratize knowledge.
9. National Documents for Female Workers Program: provides basic documents for the female peasants and expands their inclusion in the society.

Despite many support tools and apparent ability of the government to settle a significant number of people, they are only significant at the micro level since they do not promote changes in the land distribution patterns (Sparovek & Maule, personal communication, 2007). Furthermore, the quality of the settlements is known to be overall precarious (Silveira & Buainain, 2002).

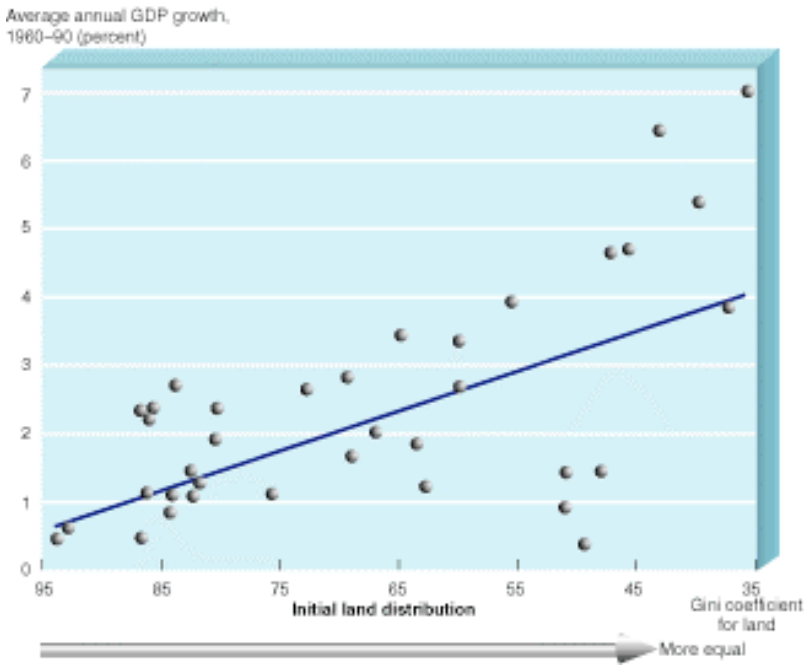
4. Market-Based Land Reform

Since the World Bank directive in 1982 it has been indicated the necessity to create a positive market environment in the agricultural sector with correct signals for pricing, establishment of property rights, and regulatory institutions to promote productivity increases (Franko, 2007). The outcome that the World Bank is searching by promoting agricultural policies is the creation of "… a more transparent and accessible land sales market and land rental market through programs of land registration and titling as well as by other complementary means The proposed policies would create a more "level playing field", reduce transaction costs, avoid overpricing and facilitate access to land either via rentals or land

purchase to a wider segment of the rural poor as well as encourage investment, higher productivity and incomes, thereby reducing poverty." (Kay, 2006).

Likewise, the World Bank approach of land reform in the 1990's was linked to reduction of poverty in the context of what the developed countries' stabilization programs of the 80's promoted caused for the developing countries and the definitive adoption of neoliberal policies in the 90's, which induced even more poverty in developing nations. The World Bank economists addressing land tenure issues begin to link poverty and inequality with slow GDP growth rates that has been consuming the developing countries for years.

Figure 4. Countries with more equally distributed land tend to grow faster



Source: World Bank, 1997

"Recent empirical work indicates that there may be a negative relationship between initial (land) inequality and future growth. If confirmed, this would imply that unequal economies will experience lower rates of growth and, in general, lower rates of poverty reduction" (World Bank,

1997). It has also been demonstrated that high levels of inequality undermine the capacity of growth to reduce poverty through the principal of elasticity. "The elasticity of poverty reduction to growth in LCR [Latin American and Caribbean Region] has been estimated at one percent and in the developing world, two percent. In Brazil, where inequality is one of the highest, it is less than the low LCR average, at about 0.7 percent" (World Bank, 2002).

However, to address land tenure issues there are several requirements as it should not interfere in the investment levels of the country overall: "…although redistributive policies have the potential to benefit the poor both directly and indirectly, they will do so only if redistribution does not jeopardize investment…" (World Bank, 1997). This is a clear signal that redistributive land reform should be done by the market and not by the state. Thus, the Market-Based Land Reform (MBLR) has to be decentralized, with "willing buyers and willing sellers", and a demand-driven approach, in opposition to the supply-driven scheme of the SLLR, in order to prevent market distortions and promote productivity by selecting the most skilled and interested farmers and excluding those less capable. It is argued that this approach will also create a better targeting process since the most interested will be able to navigate through the process (Neto, 2004). Another favorable argument of the MBLR is that it tends to stimulate the operation of land markets, both in the supply and demand sides by encouraging landowners to reduce their holding of underutilized lands and on the demand side by stimulating peasants to apply for land through government credit and multi-lateral agency grants (Neto, 2004).

With the World Bank reaching these conclusions, the implementation of the MBLR can also be considered a tool - an organizational tool for market expansion, remaining less representative for democracy or resource distribution as the SLLR can be. Secondarily, also a tool to dilute social tensions, and since it removes the socio-political character of land reform

some argue that it also a tool to delegitimize social movements such as the MST, delegitimizing the necessity of land reform from the socio-political point of view. However, the latter point is not as bad as some scholars argue that it would end land reform as we know it, the SLLR, as it is, is not addressing the macro needs for structure change. Thus, the argument that the MBLR would block structural transformations is not valid.

The implementation of the MBLR in Brazil started in the FHC period, as the government was amenable to all neoliberal policies recommended by the multi-lateral agencies, and signed the first contract with the World Bank in 1997, when the Parliament also issued a law creating the Land Bank (*Banco da Terra*) and the Land Fund (*Fundo de Terras*), incorporating the land reform through the market into the legislation in 1998.

4.1 The new role of the State

Although the new model of land reform clearly signs for the relations to take place in the market place, the market itself will not address the failure issues related to the financial and labor market or the government failures in delivering basic infrastructure, health, and education. The state still has an important role to play in addition to the classic functions since "where market may not function perfectly, state-sponsored institutions can promote better flows of information, encourage standards for production, facilitate communications and the diffusion of knowledge…" (Franko, 2007). Furthermore, the fundamental loan to purchase the land comes from government funds, so the targeting criteria for selecting beneficiaries that will access this fund is also responsibility of the state. Considering the targeting, there are areas of extreme poverty, having reduced social and organization capital, strong deficiency in institutional support and limited natural resources, such as the semi-arid Northeast and North regions, which need

inducements and expansion of institutional coverage more then other regions. Evaluation and monitoring is very important also to provide data for policymakers so that the programs can function properly and detect deficient institutional designs before it causes damages, such as environmental and agricultural production impacts, targeting leakage and land market distortions, such as in the regions of intense adoption of the MBLR where prices seam to increase and compromise the loan payment capability (Sparovek & Maule, personal communication, 2007).

4.2 The First Pilot Project: *Projeto São José*

The project started in February 1997 in the state of Ceará, and was based on a credit scheme comprised of a loan from the government to buy land and a grant from the World Bank to invest in social and infrastructure. The scheme forced the peasants to organize themselves in associations as the loan contract could only be collectively signed and the payments should be made through the association. The *São José* project distributed 23,400 hectares of land among 7,000 families with an average cost of R$ 6.083 per family. A study shows that the average income of the settlers increased between 450 and 800%. The income increase was not sufficient to pay the loans, even though the World Bank and the government considered the program a success and launched the next project, the *Cédula da Terra*. Several suggestions have been made to improvement the next projects, such as longer contract term, reduction of the financial interests, reduction of the time for access of the social and infrastructure grant, increase the participation of the associations, decentralize elaboration of the agricultural projects, produce and distribute informative material concerning the projec,t and include a grant component for technical assistance contracts (Sparovek & Maule, personal communication, 2007).

4.3 Land Reform and Poverty Alleviation Pilot Program or *Cédula da Terra*:

The project started in July 1997 and included several states, such as Ceará, Maranhão, Pernambuco, Bahia, and the north of Minas Gerais. The division of the loans for the government and the grants for the World Bank remained the same, however, an important inducement tool was included. The amount of credit, loan and grant summed, for the association was fixed so that the associations would have an incentive to negotiate lower land prices. This inducement tool apparently worked well since lands were purchased by market prices or below that (Sparovek & Maule, personal communication, 2007). The project contemplated 15,000 families, distributing 399,000 hectares of land at the cost of R$ 11,975 per family. Furthermore, a study has shown that the program had good targeting, since the majority of the beneficiaries had income below the minimum wage, although some leakage was observed (Buainain *et al*, 1999). Beneficiaries also experienced income increase. The first part of a socio-economic impact evaluation revealed that in 1997 the average income was R$ 982 rising to R$ 3,273 in 2000 (Buainain *et al,* 2002). The second part of the evaluation reveled that in 1998 the income was R$ 2,057, in 1999 R$ 2,672 and in 2003 R$ 5,777, with an increase in trade from 13% in 1998 to 33% in 2003 (Buainain *et al*, 2003). Although the numbers may indicate an improvement, the overall conditions of the settlements were still mostly precarious, the institutional design of the plots were not articulated, the liberation of the money for social and infrastructure was morose and the associations demonstrated limited experience and capability in trading, planning agricultural productions, and for accumulation of social and organizational capital (Sparovek & Maule, personal communication, 2007).

Additionally, a stochastic frontier production efficiency evaluation was performed using

econometrics. Economic efficiency can be considered the combination of technical and allocative efficiencies, wherein technical efficiency is the maximum output for a producer given some level of input and some set of technologies, and allocative efficiency is the adjustment of inputs and outputs as consequence of price changes. The aim of the study was to evaluate these efficiencies considering the value of output generated by productive inputs (capital, land, and labor) conditioned by the use of socio-economic variables. It was observed a high concentration of economic efficiency between 60 and 80%, and also showing a high number below 50%. The labor factor showed to be the estimated parameter with the highest and statistically significant value, land and inputs estimation were almost zero and not statistically significant. These results are consistent with the sample of land reform beneficiaries, which use labor-intensive technology and low levels of external inputs, although a minimum size of land is required. These result are also consistent with Henry George's theory of economic rent where "wealth created by social and technological advances in a free market economy is captured by land owners and monopolists via economic rents, and that this concentration of unearned wealth is the root cause of poverty" (George, 1912). The freedom of the peasants from the economic rent imposed by landowners enables them to use land and labor to arise from poverty even if the economic efficiency levels are not satisfactory yet. Furthermore, the estimated parameters of monthly technical assistance, number of schooling years (human capital), rural credit, output of social production, and production value for self-consumption was shown to be statistically significant. Interestingly, the results showed that 4 years of schooling equivalent to monthly technical assistance, demonstrating the importance of human capital (de Souza Filho *et al*, 2004).

4.4 Consolidated Phase: Land Bank (*Banco da Terra*)

The Land Bank was established in 1998 with the maximum loan allowed considerably higher then in previous projects. R$40.000 was made available to the families and the targeting was more. In this project there was no grant component from the World Bank since at the beginning of the projects (1997) the opposition from social groups had risen, and in 1998 a panel inspection was required with the following duties: denounce *Cédula da Terra* to Federal Justice for corruption and intentional purchase of land over priced, supply World Bank with documents showing non-following of the operational rules defined for the MBLR, and articulations with European and United States government showing irregular actions and political use of the program. The Inspectional Panel recommended the World Bank not to proceed with the investigations, however the World Bank suspended support for the Brazilian Programs.

The overall results were 1.4 million hectares of land distributed for 34,000 families with a cost significantly superior then in *Cédula da Terra* program. A quantitative survey to assert the payment capability of the farmers showed that 64% of the loan parcels were not yet due at the time of the survey. From those that were due by the time, 40% paid and 18% said that they had no conditions to pay. The projections showed that 60% of the beneficiaries in the future would be up-to-date with payments, although 62% of them had savings (Sparovek & Maule, personal communication, 2007).

4.5 Re-start of World Bank investments: The Land Credit and Poverty Alleviation Program or *Crédito Fundiário – Combate à probreza rural* (CF-CPR)

With the important support of the CONTAG, the World Bank re-assumed the MBLR, which was expanded to all Northeast, South, and Espírito Santo. The support of the CONTAG came with important modifications for the peasants including the decrease of interest rates,

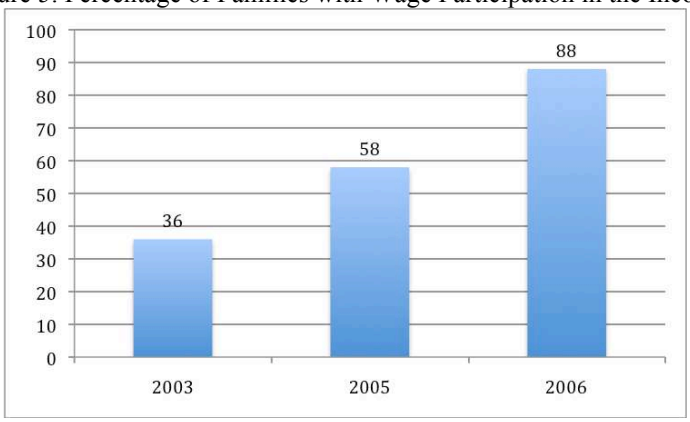
extension of the payment period, and probably the most important point for the survival of the MBLR in relation to the opposition from social movements - the banishment of unproductive lands from the MBLR that were able to enter INCRA's program. The return of the World Bank grants was very important since the evaluations made of this program show that the settlements were highly dependent on the grant to establish the community and secure the land. Furthermore, the first evaluation made of the CF-CPR shows that the targeting was good, following the rules and with the prevalence of the lower incomes. There was also a better insertion in the labor market due to security of the land, with increasing living standards and income related to the labor market insertion and internal production. In 2003, only 8% of the beneficiaries lived in the plot, 36% had income proceeding from wages at the value of R$1,420, the overall average income was R$1,656, and 37% of them had internal production with the value of R$460. In 2005 the number of peasants living in the plots raised to 66%, 58% had income proceeding from wages at the value of R$2,208, the overall income raised to R$4,064, which is above the regional average, and 82% had productions in the value of R$1,210 (Sparovek & Maule, personal communication, 2007).

4.6 Definitive Consolidation: Land Credit National Program or *Programa Nacional do Crédito Fundiário* (PNCF)

In 2003, the government joined Land Bank and CF-CPR in the PNCF that received an extension for the World Bank grants until the end of 2007. Two other programs were included in the PNCR, the Family Agriculture Consolidation (*Consolidação da Agricultura Familiar* - CAF), targeting already established families and enabling them to applying to higher loans, and the Our First Land program (*Nossa Primeira Terra* - NPT), targeting 18 to 28 years-old peasants

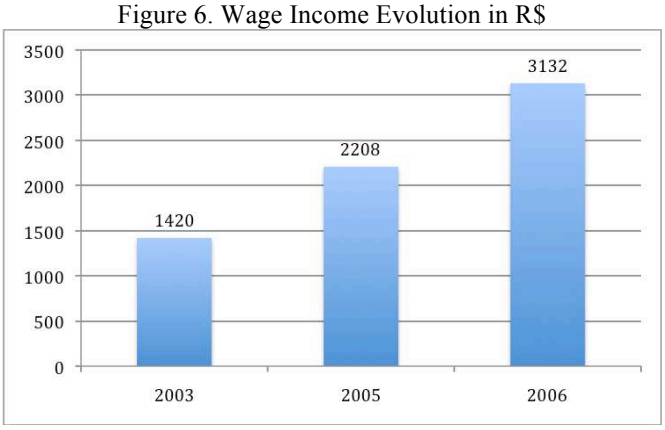
and encouraging them to buy land and establish themselves in the field. Some other changes were made regarding the PNCF: the application for the land loan was directly made to the government, but it could still be made through associations like before, and the grant component for infrastructure was given directly to the beneficiaries after the development of an action plan with PNCF officials. The settlement cost for each family, calculating the average from 2002 through 2007 (CF-CPR is included since it became part of PNCF), was R$16,610 and the community investments per family was $8,966 (Sparovek & Maule, personal communication, 2007). 55,071 families were contemplated and 1,052,430 hectares of land redistributed (MDA/SRA, 2007). In 2006 88% of the families already had income proceeding from wages at the value of $3,132, with an overall average income of $5,727. Also 88% of the families had internal production in the plot at the value of R$1,405 (Sparovek & Maule, personal communication, 2007).

Figure 5. Percentage of Families with Wage Participation in the Income



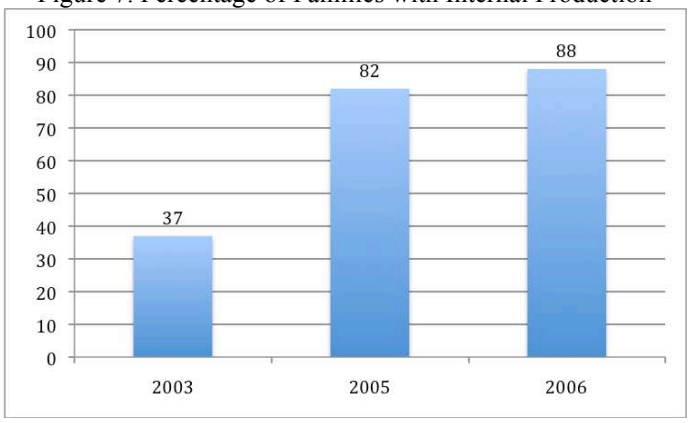
Source: Sparovek & Maule

Figure 6. Wage Income Evolution in R$



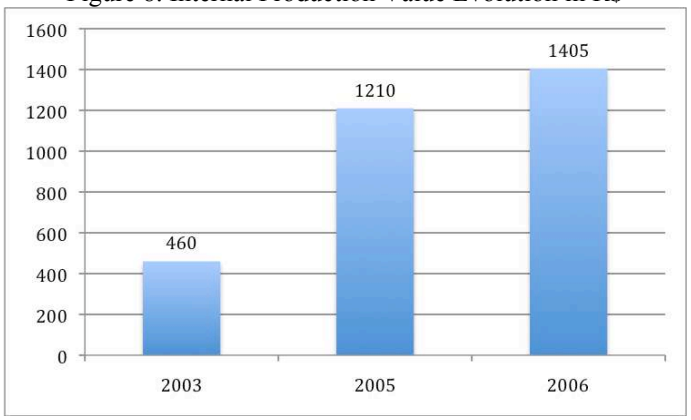
Source: Sparovek & Maule

Figure 7. Percentage of Families with Internal Production



Source: Sparovek & Maule

Figure 8. Internal Production Value Evolution in R$



Source: Sparovek & Maule

Figure 9. Income evolution of the settled in R$

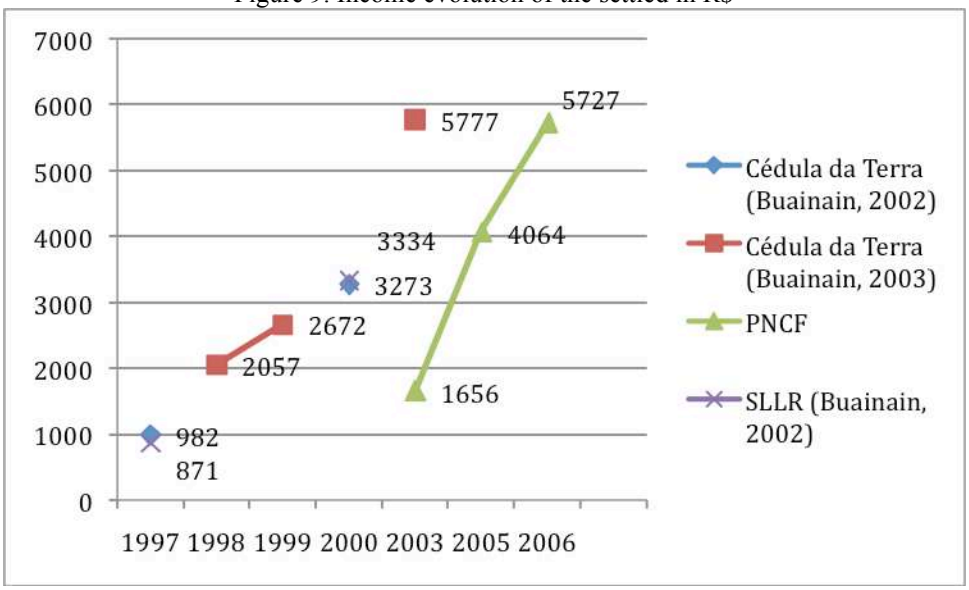
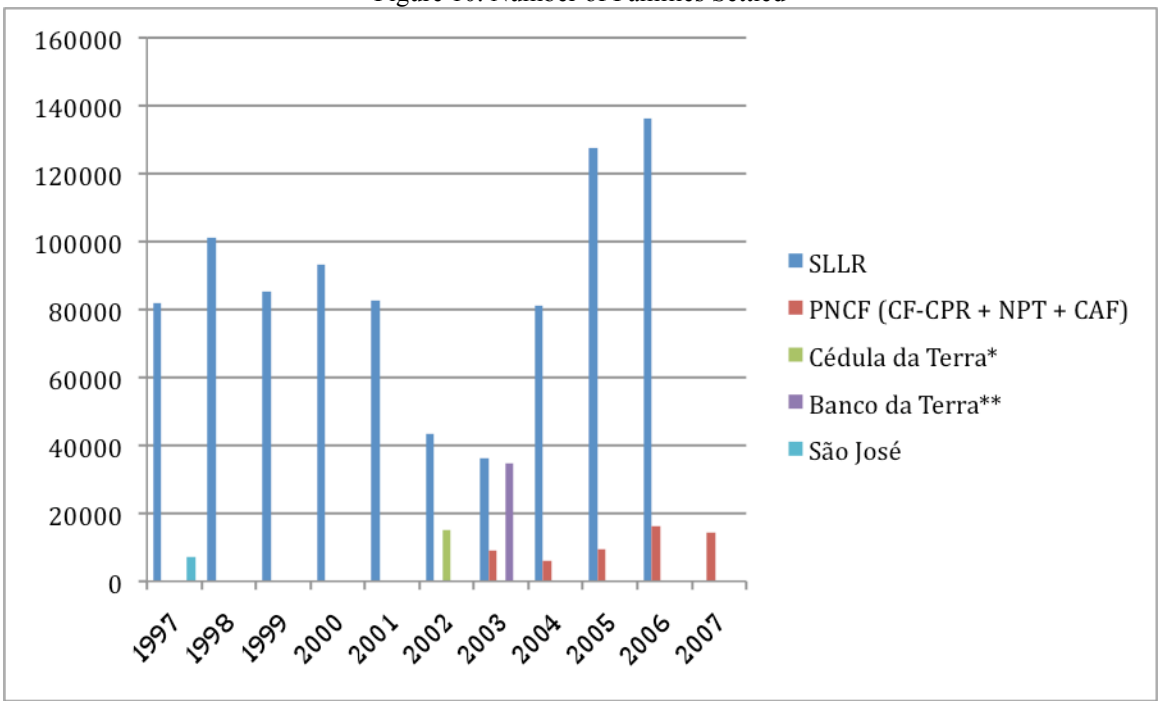


Figure 10. Number of Families Settled



Source: Buainain 2002, 2003; INCRA; MDA/SRA.
**Cédula da Terra* settlements were done between 1997 and 2002.
***Banco da Terra* settlements were done between 1999 and 2003.

Figure 10 contrasts the number of families settled by each land reform program. Figures 5, 6, 7, 8 and 9 show the socio-economic impact on the life of the peasants caused by the

insertion in each land reform program. Figure 9 compares all MBLR based on the income variable, the increase in income of the PNCF compared to past programs has shown to be much faster. This may indicate the evolution of the land reform policy based on policymakers learning-by-doing since it is a new land policy concept with reduced success stories throughout the world, whereas the Brazilian experience can serve as an example. A further analysis is needed to access the reasons for such improvement in the current program compared to others.

5. Conclusions

The performance of the MBLR is overall satisfactory - the income has increased significantly with the peasants rising from poverty, which is one of the main arguments of the MBLR – poverty alleviation. However, it does not access the other argument presented by the World Bank – high levels of land inequality generate slow GDP growth. If the World Bank continues to concentrate in the poverty alleviation speech the MBLR can be considered a success and has a political argument for its permanence as part of the agricultural policies. Also, the adoption of some improvements such as banning unproductive land from participating in the MBLR has led to groups such as the CONTAG to support the MBLR, opening political space in the society.

The SLLR has shown great commitment in settling the landless rural population, however the settlements still have much to improve regarding the quality of the basic infrastructure and institutional support. Likewise, the areas of settlements are linked to social movements, invasions, and resistance.

Analyzing the GINI index presented both land reforms are not addressing the need for social structural transformations, thus both can be considered merely public policy tools, whereas

the SLLR has shown to be used to dissipate social tension and the MBLR for market expansion.

However, SLLR and MBLR have shown to increase the income of the peasants once they are settled and secured with institutional support. Some areas still lack support and the performance overall cannot be considered excellent. Economic efficiency problems in the settlements come to light with the production efficiency evaluation, and need to be addressed through primarily increasing technical assistance and rural credit. Furthermore, human capital is also of extreme importance and more serious solutions concerning education infrastructure are demanded throughout the country.

In conclusion, despite both land reforms not addressing the high inequality issue, the permanence of both is justified due to the life quality increase of the rural poor, especially for the beneficiaries of the current MBLR program, shown in the latest impact evaluation. Furthermore, a unique situation in the Brazilian political system provides non-conflicting political spaces for each land reform.

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