



The effects of rural development policy on land rights distribution and land use scenarios: The case of oil palm in the Peruvian Amazon



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ABSTRACT

Decades of development history show that rural agricultural policies and government support for specific *en vogue* crops can seriously alter land rights, land tenure regimes and land use strategies for local people in tropical forests. Today, oil palm is such a crop, and it is an emergent commodity that is proliferating in the Peruvian Amazon. This paper asks: How is government interest in promoting oil palm development affecting property rights formalization for smallholders in the Peruvian Amazon region of Ucayali, and what are the socio-ecological implications? While there are strong theoretical reasons that expect these phenomena to be related, the precise nature of their interaction has not been rigorously examined in Peru. The study analyses data from a large household survey, and three years of participant observation work in those villages to unpack how these factors interact. The paper presents descriptive results comparing smallholder claims to their formal rights, and finds a large discrepancy between de facto and de jure land ownership scenarios – especially with relation to old-growth forest fragments. Furthermore, whilst our statistical model testing qualifies our hypothesis about the link between oil palm and land right in the region at both the household and village levels, it is not a direct causal relationship. The empirical results suggest a more complex nuanced picture of how migration, oil palm expansion and development are more broadly linked to land use change in the region. We conclude with policy recommendations that could facilitate improved forest conservation in the area, and a more equitable distribution of land rights to smallholders.

1. Introduction

In Peru, land titling processes are legally required to be ‘unbiased’ and ‘universal’ (Fort, 2008). This means that areas with fewer formal rights should be targeted for titling, regardless of agricultural production, the presence of infrastructure, or the level of socio-economic development. Using recent data from Peru’s Ucayali region—a land use change hotspot in the Amazon basin—we assess whether land titling has in fact been unbiased by analysing the connection between the pro-oil palm policy and the land titling of non-indigenous smallholding farmers. Specifically, we ask: How is the government’s interest in promoting oil palm development affecting property rights formalization for smallholders, and what are the socio-ecological implications?

Researchers have studied the effects of government development policy on rural landscapes and people for many decades (Coomes et al., 1994, 2000; Coomes, 1996; Lambin et al., 2001; Pacheco, 2009). Many of these studies have examined the tangible socio-ecological outcomes of the land-use and land rights policies that have emerged from broader

international markets and national agricultural development agendas. This body of research has shown links between development policies related to agriculture and deforestation for input-intensive monocultures (Barraclough, 2000; Pacheco, 2009; Pacheco, 2012). Furthermore, agro-policies can profoundly affect regional social dynamics and migration patterns, provoking demographic change and even land conflict (Padoch et al., 2014; Hecht et al., 2015).

With growing global demand for oil palm, research has increasingly focused on the role of pro-palm agricultural development policies in shaping socio-economic (Rist et al., 2010; Feintrenie et al., 2010) and environmental outcomes (Koh and Wilcove, 2008; Obidzinski et al., 2012; USAID, 2012; Hajek, 2015; Potter, 2015; EIA, 2015). While some studies find that pro-oil palm policies have caused displacement (Carlson et al., 2012) and enclosure of local communities (Castellanos-Navarrete and Jansen, 2015), others describe scenarios in which smallholders actively seek to benefit from development projects that facilitate market access and higher incomes (Feintrenie et al., 2010).

Formal property rights are often a prerequisite for smallholder

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participation in development projects promoting commodity crops like oil palm. Land titles are frequently identified as key to using land as collateral to secure loans for participation in agricultural development programs (DeSoto, 2000). Indeed, formal lenders tend to specialize in areas where farmers have land titles (Hoff and Stiglitz, 1990). However, when, smallholders overwhelmingly lack formal land rights that are preconditions for participating in oil palm projects, then governments wishing to promote the crop would be expected to prioritize land titling in the areas suitable for oil palm production.

We test the hypothesis that the oil palm crop is associated with land titling in areas targeted for the crop in Ucayali. We use descriptive and inferential analysis of data collected through a large household survey, and by participant observation techniques over a period of three years. The empirical data is utilized in three ways:

First, we compare smallholder land **claims** to the **formal rights** bestowed upon them by the state. This comparison highlights the problematic discrepancy between recognized *de jure* land rights and *de facto* ownership perceived by smallholders.

Second, we statistically test the relationship between oil palm production and the prevalence of individual land titles at both the community and the household level. Finally, we discuss the implications of results for current and future policy.

Our findings illustrate useful observations for policy makers and development organizations interested in the equitable promotion of oil palm as a regional strategy for rural economic improvement. This analysis will be particularly useful for the national and the regional government's agencies charged with leading the large-scale land titling projects as well as donors, such as the Inter-American Development Bank (IDB), supporting large-scale titling campaigns in the Amazon region.

2. Oil palm in Peru: justifying the case

Among global oil palm producer countries, Peru ranks 19th, and its modest output is less than the national consumption (FAOSTAT, 2016). Nevertheless, oil palm production is rapidly becoming a dominant strategy for agricultural development in the country (Hajek, 2015). The Peruvian state formally declared it a crop of “national best interest¹”; in 2000 (El Peruano, 2000;), the promotion of oil palm was heralded as a strategy for developing rural economies, and used as an alternative to the illicit production of coca (El Peruano, 2000; UNODC, 2012; USAID, 2014). Since then a variety of policies have promoted it for both small farms and large scale plantations. The cultivated area of oil palm in the Peruvian Amazon grew from 26,700 ha in 2012 (INEI, 2012) to almost 78,000 ha today, with pending requests for 99,356 ha to establish 11 additional oil palm concessions (Alvarado, 2015).² With these new and planned plantations, oil palm is rapidly approaching the area covered by the country's biggest export product—coffee (330,000 ha)—and its primary product in terms of area sown—rice (380,000 ha) (INEI, 2015). The government recently demonstrated its continued commitment to the expansion of oil palm by declaring another 600,000 ha ‘apt’ for cultivation (Ninahuanica, 2014), and the establishment of a ‘Multi-sectoral Commission on Oil Palm’. According to the official reports, 60% of oil palm is on smallholder lands (MINAGRI, 2012).³

Oil palm projects are conceived by the government and non-government development agencies as a way of improving the market access and the economic competitiveness of farmers in an increasingly globalized market economy (MINAG, 2001; AGROIDEAS, 2012; USAID,

2014). However, the informal rights are a barrier to rural development in Peru, because they mean farmers lack collateral to access credit to finance investments (DeSoto, 2000; Lima, 2015). For example, in 2012, 15% of formal loans solicited by smallholding farmers were rejected due to lack of a land title (40% of which were in the Amazon region), and a further 44% of applications failed because they did not have a guarantee (INEI, 2012). In this vein—over the past 20 years—the Peruvian Government, backstopped by money from the IDB (amongst others), have developed several land titling strategies with the goal of increasing agricultural productivity, improving the incomes derived from agriculture-based livelihoods, reducing poverty, and increasing social equality and environmental sustainability (Lima, 2015). Indeed in 2014, 221.3 million Nuevo Soles were given to regional government offices for land titling. Furthermore, an agreement between the IDB, the National Commission for Development and Life Without Drugs (DEVIDA) and the Regional Government of Ucayali was drawn up to title more than 4500 plots before the end of 2015 with a budget of more than 80 million dollars (Gestión, 2014).

Proponents expected large-scale land titling processes to formalize rural holdings and thus provide improved rural land rights security. These large land-titling projects have been slow and difficult due to an array of socio-political problems at different levels of governance, which are documented elsewhere (Gestión, 2014; Fort, 2008). Nonetheless, in its first ten years these titling operations formalized more than 1.5 million properties, and between 2000 and 2008, the programs brought the national titled population from an estimated 19% to over 50% (DeSoto 2000; USAID, 2012).

In theory, the land titling process in Peru should target agricultural smallholder titling ‘*en masse*’ (that is, targeting many households in a given landscape), and in an ‘unbiased’ fashion (El Peruano, 2008). This means that areas (e.g. a watershed, a district or, a series of villages) with the greatest need for land formalization are identified and prioritized for titling. Once an area is identified as in need of formalization, as many eligible people in the selected area as possible should be titled (El Peruano, 2008; Fort, 2008; Lima, 2015).

However, evaluations of the titling campaigns have highlighted inequitable outcomes at the community and the household level due to historical biases rural land titling approach (Lima, 2015; Zegarra et al., 2008). For example, the preferential titling of areas with greater agricultural productivity may have skewed the distribution of land rights (Lima, 2015; Zegarra et al., 2008). Relative isolation and migrant dynamics were identified as other variables needing to be assessed as possible system biases. We elaborate on this further in our methods.

2.1. Farm and forest land rights for smallholders

Peruvian land policy has long associated the legitimacy of property rights claims with the productive use of the land. In 1969, the first Agrarian Reform in Peru mandated that “land should belong to he [sic] who works it” (El Peruano, 1969; Law Decree 17716: 1). At the time, this referred rather broadly to populist notions of ‘giving the land back to the people’, supporting working farmers to profit from their labors directly. However, in 1991, this concept became legally prescriptive in that it was mandated that *only* the cultivated part of the land claims could be titled (El Peruano, 1991). This exclusion was consolidated in 2008 by “Legal Decree 1089 to Establish a Temporary Extraordinary Regime of Formalization and Titling of Rural Plots”, which decreed that smallholders “must demonstrate economic exploitation” of the land (El Peruano, 2008 (regulations supplement): 5) that “could include the preparation of the land for planting”—that is, clearing forest (El Peruano, 2008 (regulations supplement): 7).

In theory, this limitation on property follows a simple logic: Why title more land to smallholder households than they can actually cultivate? However, in practice, these restrictions are not necessarily aligned with local ways of using land (Porro et al., 2014; Cronkleton and Larson, 2015). It is known that diverse production strategies exist

¹ All translations are authors' own

² Exact numbers are unknown, with many claiming that many illegal plantations exist and the blurry line between areas in preparation, cultivated, and in production has resulted in disputed and inconsistent data on the extent of the crop (EIA, 2015)

³ This fact is contested by anti-oil palm groups that claim that the portion of oil palm pertaining to smallholders is exaggerated by the state, rather it is large private plantations that hold the lion's share of the land dedicated to this crop (Pautrat, 2013)

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