Cooperative Bias in the Redistribution of Commercial Farms and Agribusiness Plantations: The "Illogic" of Collective Action

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"...the larger the group, the further it will fall short of providing an optimal amount of a collective good".

Mancur Olson (1971)

"Now the belief in cooperation is not only a matter of pious hopes, but rests on the demonstrable fact that mutuality does sustain organizational arrangements of many kinds".

E.A. Brett (1995)

Introduction

I got involved in this study as part of an evaluation team that looked into the work of a non-governmental organization (NGO), the Kasanyangan Foundation Inc. (KFI) in Mindanao. My role was to help analyze the impact of KFI's development work, and to look into the institutional overhang – or the set of policies, rules, and laws that shaped the redistributive process in the plantation sector.

The importance of this aspect seemed to me to be quite obvious. KFI, like others in the NGO community, knew that its work was shaped, even constrained, by the macro policy environment for agrarian reform and rural development. KFI wanted, in turn, to shape those rules. To not only ***plant***, as KFI head Ibarra "Bong" Malonzo used to say, but also to ***talk***.

KFI can claim to have accomplished elements of both. It has the unparalleled experience that provides it with the best opportunity for designing more appropriate rules, mechanisms, and arrangements that can enhance the effectiveness of agrarian reform in the commercial farm sector.

(1) KFI actively and constructively intervened in recasting the ownership and management of plantations voluntarily offered for sale. This was achieved because KFI, or the original NFL-ARD was the earliest involved in the organization of plantation workers – dating to as early as when its mother trade union competed with other federations and unions in representing farm workers in collective bargaining agreements with their agribusiness employers.

(2) KFI was able to convince the farmworker cooperatives to sustain the original management system which prevailed in the plantation when the same was still under private management – an important early ingredient for preventing the immediate collapse of the enterprises. It was critical for proving economic viability, and consequently, for raising funds – a financial intermediation service which KFI delivered

(3) KFI was able to deliver both the software, and the hardware that could enhance productivity and ensure some profit. KFI provided credit assistance through loan wholesaling, the establishment of seedling

nurseries for replanting and rehabilitation of farms, and marketing intermediation and assistance.

But there was one important arena in which KFI lagged behind – convincing the cooperatives to undertake planning and financial strategies that could provide incentives and rewards for performance, prioritize capital accumulation, and suspend financial consumption.

While it was easy for KFI to leverage the need for expertise from previous supervisory, technical, and management staff, and to sustain the original management and organizational system – it was more difficult for KFI to leverage reforms in the system of cooperative production and the allocation of scarce resources.

In the course of doing the evaluation, I had stumbled into a set of institutions that had inadvertently produced a bias towards cooperative and collective action strategies. I had first noticed this bias when I was doing similar work about five years ago for Ford Foundation.

I had argued then that the transfer of collective or "mother" titles to farmer beneficiaries of agrarian reform were creating a perverse incentive to sustain collective action strategies – inspite of the absence of any prior experience, and despite the obvious socio-economic problems which they produced.

However, this time we were looking into the experiences of farmworker cooperatives, in commercial and export oriented rubber plantations. Surely, the past experience of these farmworkers with cooperation and hierarchy provided it with ampler opportunities for success?

Scholars (G.W. Beckford 1969: 322; W.O. Jones 1968: 154) have described the distinguishing characteristic of plantation agriculture from other farms as "the bringing together of as many unskilled farm laborers as possible with each of the few highly-skilled supervisor-managers who direct production" . The plantation "substitutes supervision – supervisory and administrative skills – for skilled, adaptive labour, combining the supervision *with labour whose principal skill is to follow orders"*

Background

When the Comprehensive Agrarian Reform Law (Republic Act 6657) was passed in 1988, commercial farms in crops such as banana, pineapple, sugar, and coconut were given a grace period of 10 years (1988-1998) prior to compulsory coverage. The deferment was rationalized as a means to prepare the previous landowner shift resources away from direct agricultural production towards value-added and auxiliary services including marketing and processing, or other off-farm and non-farm businesses. Meanwhile it was argued that the new farmworker-owners needed some time to prepare for the management responsibilities, organizational challenges, and productivity requirements to compete under the new property rights regime.

Most of the commercial plantations planted to sugar and banana sought deferment. But other plantations implemented various alternative arrangements as follows:

One, some sugar plantations including the huge Hacienda Luisita in Tarlac were permitted by the Presidential Agrarian Reform Council (PARC) to gain a status of compliance with agrarian reform by undertaking stock distribution, and/or profit and production sharing schemes with their farmworkers.[1]

Two, some transnational agribusiness corporations such as Dole, Del Monte, and Filipinas Palm Oil (formerly NDC-Guthrie) preferred to enter into leaseback arrangements with their farmworker-beneficiaries, negotiating a lease cost per hectare to be paid to a duly constituted

1 Hacienda Luisita (HLI) is owned by the family of former President Corazon Aquino. HLI and eight other plantations sought CARP coverage and were deemed to have complied with the agrarian reform law through a stock sharing agreement. The option is contained in a limited time-bound clause which operated for a couple of months, after which no other applications were accepted.

cooperative of agrarian reform beneficiaries.[2] The tenor and financial arrangements between the company and the agrarian reform beneficiaries (ARBs) may vary, but the concept of retaining the plantation economy is the same. After the 10-year deferment period had lapsed, the same model was chosen by local agribusiness firms such as the Floirendo-owned WADECOR, and the Lorenzo-owned Lapanday Development Co.[3]

Three, in the case of the rubber plantations of Basilan, Zamboanga del Sur, and in parts of North Cotabato the former owners or leasees voluntarily offered their lands for redistribution. Government agencies and development NGOs encouraged farmworkers to organize themselves as cooperatives, and the DAR allowed these organizations to take control and administration of the plantations under collective ownership and management arrangements. The individual subdivision of plots and distribution of titles were often deferred.

This paper looks into the third kind of arrangement. We begin by analyzing the experiences of farmworkers and their cooperatives who took control of the production, marketing, and management of redistributed rubber plantations in the island of Basilan and in Zamboanga del Sur. Utilizing the prism of institutional and rational choice theory and the new institutional economics, we analyze the empirical evidence presented in several impact studies and organizational assessments of the experiences of the National Federation of Labor – Agrarian Reform Desk, later renamed as the Kasanyangan Foundation, Inc. (KFI) which provided technical assistance to the cooperatives

We then review the literature on collective action and group production strategies in the agribusiness export sector, and compare these

2 These plantations were mostly government owned and were being leased by the National Development Corporation (NDC) to the transnational corporations.

3 There are two recorded cases, i.e., DAPCO and Checkered Farms, where plantation land was transferred collectively to farmworker beneficiaries even before the deferment period, and in which after a series of internal conflicts, individual growership arrangements emerged between the ARBs and the previous manager-owner (Javellana of DAPCO) and other independent buyers.

with the experience of KFI and the institutional infrastructure of agrarian reform in the Philippines. This is critical to understanding whether the performance of cooperatives, and the institutional framework that governs the sector is coherent or in conflict with the scholarship on collective or group versus individual production. We conclude by positing several recommendations that can be the basis for the more effective governance of agrarian reform in the plantation and export crop sector.

Terms of Reference

The redistributed rubber plantations in Basilan and Zamboanga del Sur in Mindanao represent the single largest concentration of agrarian reform beneficiaries (ARBs) that maintained a plantation economy and collective production, albeit under their own control and direction. Thus the economic outcomes in these farms are important for agrarian reform policy and practice. The evidence will determine the viability and relevance of maintaining scale economies and cooperative structures and processes as the dominant organization for directing production in the plantation, export crop, and commercial farm sector.

At the outset there is a need to converge on our definition and understanding of the models. Cooperatively owned and self-managed plantations in the rubber industry (1) are typically large scale, ranging from a few hundred to more than a thousand hectares in size; (2) operate as centrally managed commercial farms, (3) often maintain the conventional system of group or collective production and retain or employ the former supervisory and technically skilled staff; and, (4) integrate production, post-production, and marketing.

The difference, in contrast to any other commercial farm, is that (5) the farms are owned by the workers themselves, the lands having been (6) transferred under collective or mother CLOAs to a cooperative of farmworker beneficiaries (7) who are often guaranteed employment as wage-labor in the farms following land transfer. Table 1 below explains the similarities and differences between commercial agribusiness plantation

TABLE 1 : Comparative Assessment of Private versus Cooperative Plantation Ownership and Management as practiced under RA 6657

CATEGORIES	PRIVATE AGRIBUSINESS PLANTATIONS	COOPERATIVE SELF-MANAGED PLANTATIONS
1. **SIZE**	Large Scale 50 - 1000 + has.	Large Scale 50 - 1000 + has
2. **PRODUCTION / MARKETING**	Integrated	Integrated
3. **MANAGEMENT**	Centralized	Centralized
	Hierarchical	Less Hierarchical
4. **OWNERSHIP**	Private Individual(s)	Collective
5. **INSTRUMENT**	Land Titles Lease or	Collective, 'Mother'
	Leaseback Contract	CLOA
6. **LABOR RETURNS**	Wages, Benefits	Wages, Benefits, Dividends
7. **EMPLOYMENT**	Based on Required Capacity and Capability	Guaranteed

enterprises and cooperatively owned, and self-managed plantation enterprises.

A Brief Synthesis of The KFI Experience in Promoting Cooperative Self-Management

The KFI was involved in supporting the cooperative self-management efforts of five cooperatives, four of which are in Basilan, and the fifth in Zamboanga del Sur. These are: in Basilan, the United Workers Agrarian Reform Beneficiaries Multipurpose Cooperative Inc (UWARBMPCI), the Sta. Clara Agrarian Reform Beneficiaries Integrated

Development Cooperative (SCARBIDCI), the Tumahubong Agrarian Reform Beneficiaries Integrated Development Cooperative Inc (TARBIDCI), and the Lamitan Agrarian Reform Beneficiaries Cooperative (LARBECO). In Zamboanga del Sur, KFI was involved in assisting the Sulo Agrarian Reform Beneficiaries Multipurpose Cooperative (SARBEMCO).

The agrarian reform process in Western Mindanao is recognized by the DAR as one of its more successful cases of redistributive reform. Land acquisition targets were accomplished within the first six years of agrarian reform. As early as 1996, the land reform accomplishment rate for Basilan, Zamboanga del Norte, and Zamboanga del Sur stood at a high 82 percent. In the areas covered by this study, rubber companies such as the Menzi Agricultural Corporation in Isabela, the Sime Darby rubber company in Tumahubong, and the Firestone rubber company in Zamboanga del Sur voluntarily offered their lands for sale or terminated their land lease agreements with the government.

Contentious process of land acquisition

The process of land acquisition was highly contentious, despite the voluntary transfer. In most cases, the former company owners and/or managers meddled in the transfer process, backing up some of the claimants, or group of claimants – often against their own workers who had organized cooperatives. In some cases, separately organized cooperatives fought each other to secure DAR recognition and company backing.

The presence of contending claimants produced tensions that often led to violent clashes, and in the Tumahubong cooperative, to prolonged armed conflict. DAR officials claim that these conflicts partly contributed to the decision to transfer the lands collectively, and immediately.[4]

4 Based on interviews with key informants at both the local and national DAR office.

However, the conflict also produced unintended consequences. The redistributive process either catapulted the local plantation security force into a major player in plantation operations and in the leadership of the cooperatives, or it rewarded the aggressive claimants with powerful positions in the cooperative structure, especially those with some military background and legal and security expertise.

This experience is an authentic one for all of the plantations covered by this study. Enabled to carry firearms and supervise plantation operations, the cooperative leadership cum plantation security also played an important role in determining to whom the rubber would be sold.

Limited transfer of assets and capabilities

In all cases, the transfer of land was not accompanied by a transfer in the ownership of other assets such as the processing plant and other machinery, equipment, and vehicles. Though some of these were effectively placed under the control of the cooperatives for the time being, some of the previous owners were willing to continue operating the facilities, or to sell them to the highest bidder, or to transfer them to other areas.

The cooperatives had to constantly negotiate with the former owners the terms of transfer or use of these facilities. In which case the cooperatives were faced with the burden of investing in their improvement and maintenance (to enable the use of the facilities), while spending for the replanting of rubber trees since most were already old.

Cooperatives paid for the costly maintenance of the processing facilities — especially for the rollers which were used to press the rubber cup lumps together prior to their being 'cooked' in large heated ovens. The cooperatives also spent for using and maintaining the vehicles used to collect latex or cup lumps, or to transport workers around the plantation.

In short, while they were able to temporarily use the facilities, there was no guarantee that the cooperatives could continue doing so. Yet they needed to maintain their hold over the important assets or "lumpy inputs" that were required for rubber production, processing, and marketing. A market for small scale machines and facilities that could serve the needs of individual growers, or household based producers, as in the case of rice, did not emerge. Meanwhile, credit funds for securing plantation processing and transport facilities, or investing in their improvement and modernization were unavailable during most of the transition period.

The problem of limited asset transfer is compounded by the similarly limited transfer of capabilities from the old to the new management. Cooperative self-management sought to secure the former supervisory and technical staff, and was largely successful in maintaining the same structure of responsibilities within the new set-up. However, the cooperatives were generally unable to attract the former managerial leadership of the plantations, owing to both a lack of financial resources and in some cases, an emerging unwillingness to accept the discipline imposed by managers – least of all their former managers.

Critical financial needs at the outset

The cooperatives were faced with critical financial needs that had to be urgently addressed at the outset. Investments were required to restore and sustain the operations of the processing plant, to pay wages, and to meet amortization payments.

Rubber tree replanting is costly, averaging around US$2,000 (PhP100,000) per hectare for the first six years of tree growth. Repairing the rollers and presses at the processing plant was also needed because of the wear and tear brought about by their age. These expenses were coupled with supplemental investments in other cash and food crops to address immediate consumption needs while restoring competitiveness in all of the cooperatives. The urgent need for investment funds also shaped the marketing process – sale of the rubber produce would be mainly undertaken through negotiated forward orders rather than through a system of bidding.

A synthesis of the most recent field data from Basilan and Zamboanga del Sur indicate that all of the cooperatively self-managed plantations, except for LARBECO, are experiencing critical economic problems. Repayment of land amortizations have been delayed, and in all of the plantations, financial capital for operational expenses have also been depleted. The deterioration from stable and robust enterprises to their current state is blamed mainly on the declining productivity of the trees, frequent disruptions in production and processing due to recurring problems of supply, breakdown in machinery, and labor supervision. [5]

The case of LARBECO is an interesting counterpoint to the general economic disarray faced by cooperatively self-managed plantations. In contrast to the rest, LARBECO has continued to post a modest profit. However, problems associated with cooperative self management has begun to emerge – government supplied working capital has been restructured, livelihood funds were rechanneled towards cooperative operations, and away from livelihood aims, and some funds cannot be accounted for by the cooperative leadership. LARBECO had just invested in the planting of rubber trees beginning 1997, and it is therefore too early to say how this crop will fare in terms of over-all contribution to the cooperative enterprise. But the cooperative continues to generate income from its prior cultivation of coconut, intercropped with cacao and coffee.[6]

Critical economic problems can be easily discerned when one looks into the annual operations report, and the financial accounts of all of the cooperatives. Lurking behind these reports, however, are the institutional and organizational problems that are actually at the center of the crisis faced by cooperatively self-managed plantations. Analyzing the processes and stages that the cooperative has gone through gives us a synthesis of

5 See ISSARIPU external evaluation executive summary.

6 A case study of LARBECO shows that in contrast to the other cooperatives, the enterprise was able to secure a satisfactory management team, and was cautious about absorbing unneeded labor. Since the cooperative has had a limited life span in comparison to others, the weaknesses of cooperative self management are just emerging, e.g., prevalence of corporate worker attitude, distorted perceptions of worker-owners, and a weak sense of ownership (Sarenas 2001: 19-31).

the evolution from strength to weakness that is likely to have taken place in cooperative self-management.

Evolution of cooperative self-management

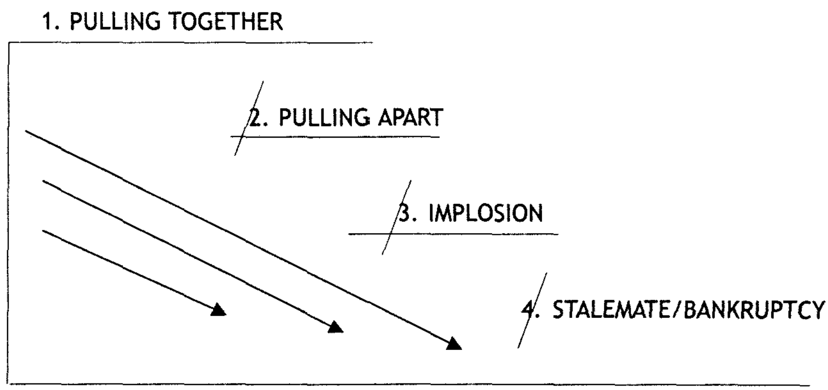
Most of the cooperatively owned and managed plantations assisted by KFI have experienced and are still facing difficult economic conditions. The cooperatives based in Basilan, namely the TARBIDCI in Tumahubong, SCARBIDCI and LARBECO in Lamitan, and UWARBMPCI in Isabela, are about to close due to bankruptcy. Meanwhile, in the case of SARBEMCO the initial collective action problems faced in terms of prioritizing the use of investment resources was not resolved effectively, resulting in immediate financial problems and strong demands for parcelization.

The only hindrance preventing the cooperative assets from being fully depleted or from being conveyed or transferred to their debtors is the prohibition on banks to sell these assets to people other than the qualified beneficiaries of CARP. Banks are also finding it increasingly difficult to hold land assets indefinitely, as a recent BSP circular ordered banks to dispose of these within 5 years after foreclosure – but again, only to qualified beneficiaries.

The rise and fall of cooperative self-management seems to follow a familiar pattern of initial solidarity, or a stage of ***pulling together*** that eventually leads to internal cooperative conflict or a stage of ***pulling apart.*** These are followed by an ***implosion***, as the cooperative members are wracked by infighting, which often ends in a ***stalemate.*** (See Figure 1)

In the Basilan cooperatives, the first three years were conflict ridden – and the farmworkers rose to the occasion by pulling together to assert their rights to the land, to sacrifice their demands for an increase in wages and the release of dividends, and by intensifying their labor participation.

FIGURE 1
Evolutionary Model for Cooperative and Self-Managed Plantations



Solidarity in the face of an external threat contributed significantly to unifying the cooperatives in fending off other claimants. It also provoked the potential beneficiaries to exert every effort to restore operations immediately after land transfer. This was crucial because demonstrating stability or "business as usual" was necessary for the plantation to meet its financial and marketing obligations.

Farmworkers agreed to work within the same wage structure and to postpone any wage increase until they have generated substantial incomes from the operations. They also agreed to suspend the release of dividends – a feature that is usually undertaken during the annual general assemby. In short, the worker-beneficiaries agreed to wear the hat of an owner and to suspend their exit options. They consistently approved the maintenance of cooperative production systems even in the face of economic difficulties.

But after some time these external threats subsided and the cooperative began to gain some experience in managing the plantation. The absence of a clear-cut, external threat, and the stabilization of the conditions of production enabled the cooperative to start a more serious analysis of investment needs and priorities. Since the determination of priorities within cooperative organizations are rarely the fruit of democratic exchanges – and are often based on who wields the most power – tensions began to grow. The dominant and powerful factions within the cooperative emerged, friction started, and the seeds of internal conflict are sown. These trends emerged in the cooperatives under study when conflicts arose over whether capital investments should prioritize replanting, or the repair of processing facilities, or the buying of guns and other security equipment, or new vehicles.

The breathing space earned by the cooperatives due to the initial "pulling together" provided the same oxygen for the eruption of flames within the organization. The cooperative started to enter a stage where its members begin pulling apart.

As the most powerful faction reinforced its leadership role it started to see cooperative economic endeavors, in contrast to individual projects or enterprises as the priority for investment. As officers, board members, or management staff they stood to gain the most from these sort of investments anyway.[7]

So long as the collective economic enterprise generated profit, incomes are distributed evenly, and employment is guaranteed universally, the cooperative's members supported the maintenance of collective action strategies. However, most of the enterprises were poorly planned and managed, investments were lost, and incomes were seen to have been captured by factional interests within the cooperatives.

The cooperatives began to implode. The early economic problems faced by the cooperatives are replaced by a more serious 'fiscal' crisis – the cooperatives cannot even pay for its costs.

7 Apart from the rubber plantation case studies in this paper, the story of the Dole Agrarian Reform Beneficiaries Cooperative Inc (DARBCI) is also illustrative of this tendency. Awash with cash from the millions in annual lease rental payments by DOLE Inc. to the cooperative, farmworker beneficiaries organized separate factions that clawed at each other, with each faction advancing cooperative enterprises or group projects rather than individual initiatives or individual, household-based micro-enterprises.

The above scenario was graphically shown in the case of SARBEMCO, whose leadership rejected external advise and insisted on funding a cable TV system rather than the production needs of the plantation. In the case of UWARBMPCI, the original leaders were removed to give way to a new set of leaders that were amenable to demands for a distribution of dividends – even though the precarious financial state of the cooperative clearly showed that this step would lead to the eventual bankruptcy of their operations. In the case of TARBIDCI, several years of pegged wages gave way to sudden increases that resulted in the depletion of funds to secure basic raw materials. In the case of SCARBIDCI, cooperative members insisted on maintaining the current labour utilization level, despite the downward productivity of the land and ballooning operating costs. The SCARBIDCI members lamented that they were better off when the plantation was under the UP Land Grant, and now believed that placing the enterprise under CARP was a mistake.

Accountability clearly started to break down, and demands for increasing the returns to labor intensifed. The situation peaked with a displacement of priorities, and an internal tug of war ensued between the two hats worn by members – as *"workers"* and as *"owners"*.

This explains why the mode of defiance, or the *"defection"* is expressed in the same terms that portrayed their unity and sacrifice in the first place. The overriding policy of UWARBMPCI and TARBIDCI in securing economic stability was to refrain from consumption, and to intensify capital accumulation. To counteract this framework of growth – the cooperatives declared a release of dividends or an increase in wages despite the obvious inadequacy of funds, resulting in cash flow problems in the more important production and processing needs of the enterprise.

As the cooperatives imploded, political infighting intensified, leadership challenges became more frequent, and 'everyday forms of resistance' escalated – such as the destructive tapping of rubber trees, the theft and destruction of equipment, and the subversion of standards in production and processing.

The situation finally led to a stalemate – the cooperative became bankrupt, but the members are unable to redistribute or "parcelize" the land because it is still under mortgage with the Land Bank of the Philippines. Processing was mothballed, and members had to make do with what can still be tapped, processed, and sold, while waiting for the LBP to restructure their loans.

The impact of external intervention

Shift towards small holders and growership. As KFI experienced even bigger problems of organizational implosion and firm closure in the rubber plantations in Basilan and Zamboanga del Sur, the organization increased the number of independent small growers as recipients of its services. These growers are no longer limited to rubber, but are engaged in a diversity of enterprises including the production of fruits and the expansion of industrial tree farms. This has been made possible through the setting up of a seed fund that can be used for new and innovative projects.

Among the case studies of small holder systems and growership, the positive impact of KFI's experiences in Barangay Calula, R.T. Lim municipality, in the province of Zamboanga Sibuguey, and the small growers adjacent to, peripheral, and/or surrounding the rubber plantations that are cooperatively managed, such as in Tumahubong (beside TARBIDCI) and in Barangay Kapatagan in Isabela (beside UWARBMPCI), Basilan is significant.

This is because the shift towards small farmers reflect a more profound shift in KFI analysis and advocacy – the refocusing towards an anti-poverty and agricultural modernization strategy with the poor rural household in the drivers seat. This represents a sea change in KFI's thinking and practice – and a move away from the equation that the rescue of the rubber industry in Mindanao equals agricultural modernization and poverty eradication.

In the peripheral sites, NFL/ARD encouraged growers to plant fruit trees, food crops, rubber and other industrial tree crops. Intervention was in the form of credit assistance and marketing of produce. In Calula, twenty five residents joined together to establish the Calula Integrated Development Multipurpose Cooperative (CIDMPC) to engage in cooperative stores and marketing, tree planting, upland banana cultivation, and sustainable farming techniques. NFL/KFI provided production loans for the members to engage in cultivating 'latundan' bananas.

The preferred mode for organizing production which continued to receive KFI assistance and support shifted in the late nineties from the cooperative sector towards enterprises that combined group or cooperative production with small grower, family farm systems. These are clear indications that KFI has shifted towards small growership as the principle method for organizing production in the various agribusiness export crops it is involved with.

The Agrarian Reform Discourse

Agrarian reform is supposed to democratize and strengthen property rights, and enable the creation of strong institutions that foster the growth of productivity and the equitable distribution of the fruits from that productivity. As one of the most important weapons in the arsenal of institutional property rights reforms, a land reform program creates high expectations among the poor and within society as a whole. At the household level, it promises to improve rural standards of living, improve farm productivity, and enhance farmer's capabilities and access to modern technology.

Assistance to farmer beneficiaries of land reform is seen as necessary to prevent farm desertion, and to ensure that rural household incomes and productivity do not stagnate. Program beneficiary development is also expected to create dynamic effects on the rural economy in particular, and the national economy in general — setting the stage for rapid economic growth, modernization, and industrialization.

Another important expectation lies in the political sphere. Land reform is expected to break the backbone of the feudal landed classes in Philippine society and replace them with modernizing, capitalist farmers and rural entrepreneurs. Agrarian reform, it is said, is the foundation for genuine political democracy.

Some of these expectations are reinforced by features in the agrarian reform law (CARP – Comprehensive Agrarian Reform Program) that has made the Philippine program unique. It is comprehensive yet flexible in approach. Various institutional and organizational arrangements may be employed to ensure higher productivity and competitiveness. Subsequent executive and administrative orders have made these arrangements possible and available to old and 'new' landowners. This strengthens the notion that the Philippine agrarian reform is *"an economic and political corrective"* (Reidinger 1995: 216) to rural poverty, low productivity, and weak political legitimacy by urban-based elites.

But after more than ten years of program implementation, it is argued that rural inequalities have widened, farm productivity has barely increased, and sustaining rural economic growth and development remains a challenge.

Flaws in the Agrarian Reform Program

The current state of reform is in sharp contrast to the dramatic early gains of historical land reform implementation in the Philippines. The empirical evidence in a study of agrarian reform implementation from the sixties to the nineties showed the consistent intergenerational transmission of human capital brought about by redistributive reform – as profits increased and household productivity improved (Deininger et. al., 2000). However, some experts interpret these gains as the product of an earlier land reform program which covered rice and corn during the Marcos government, and which led to the introduction of hybrids and modern production inputs.

Several reasons have been advanced for the weakness of the CARP to secure comparable levels of income and productivity as witnessed in the seventies and eighties, and at least two are a cause for major concern.

One, the weak political will of the state resulting in the slow pace of land transfer, which ultimately heightens economic uncertainties. Delays in program implementation aggravates uncertainties in the rural economy, which intensifies private sector disinvestment in agricultural development, which in turn increases expectations on the government to provide the bulk of support services for beneficiaries.

Two, the presence of institutional flaws in the land transfer component of the program. Land is purchased by the state from previous landowners and then transferred to farmer beneficiaries, making the program vulnerable to the politics of the national budgetary process, inflationary pressures on land, and the opportunity costs of investing in redistributive reform vis-à-vis other social reform projects and targeted poverty eradication programs.

The other institutional weaknesses which have been identified include the ten year prohibition on the sale of CARP land in formal land markets, the inability to easily sell, convey, or transfer foreclosed land which contributes to deflating the collateral value of the land, and the intensification of informal land markets where titles and certificates are mortgaged with little expectation of being reclaimed.

The imposition of a low retention limit, the absence of a strong agricultural land tax system, and the prohibition against tenancy also prevents more efficient and competitive producers from accessing more land, unless under short-term lease arrangements, thereby creating disincentives to investing in farm improvements.

All of these problems surface in the course of transferring land to the landless, in whatever arrangement. For example, whether land is transferred to individual farmers and farmworkers, or is leased back, or is placed under cooperative management – that land cannot be sold, conveyed, or transferred to anyone except other qualified beneficiaries.

But the problem is magnified when the institutional and organizational arrangement that is used is cooperative self-management. As shown by the experiences of the cooperatives and KFI, these problems owe a lot to the over-all institutional and organizational (production, marketing, and financing arrangements) environment provided by the government, and the capabilities of local executives.

Hierarchies, Transaction Costs, and Rational Choices

There seems to have been very little accounting of collective action problems when the CARP was designed a decade ago. Cooperative, group, or collective production systems advocated by some agrarian reform stakeholders for the commercial, export crop, plantation farm sector were often ideologically rooted. The advocates of worker-owned enterprises wanted to reproduce the libertarian and socialist ideals espoused by such theorists as John Stuart Mills, who referred to cooperative production as a form of *"non-revolutionary transition to socialism"*.[8]

Hence, there is often very little appreciation of the nuances that underlie institutional or property rights reform in the Philippine countryside, and their impact on farm productivity, household labor and incomes. Economic models such as individual growership, or joint venture arrangements contrary to collective and group production are often dismissed.

This bias towards cooperatives and against individual transfers is due to an incentive structure that benefits both government and non-governmental groups. The former knows that cooperative arrangements enables it to increase the volume of land transfers through collective CLOAs. The latter realizes that cooperative arrangements enable it to

8 Based on interviews with key informants in the agrarian reform movement, including leaders of NFL-ARD, KFI, UNORKA, PARRDS, etc.

secure development funds for large scale production, processing, and marketing projects.

But monitoring and metering cooperative, group, or team production is costly. These costs are multiplied when team production is not adequately supervised by a well-defined and functional hierarchy, especially in complex production processes. The free-rider problem sets in, and incidents of shirking, malingering and malfeasance increase.

A distinctive aspect of cooperative managed plantations is that even though decision making and management remains centralized, hierarchical roles have been weakened due to the change in management and ownership. Despite the continuation of the earlier set of duties, or the formal hierarchical structure, accountability issues begin to crop up. For example, it is difficult to supervise and monitor workers' performance when the same workers make the final decision when it comes to labor hiring and deployment.

Thus from the start an inherent conflict is apparent. The distinctive nature of scale economies and plantation production is complex production that requires a hierarchy of roles and responsibilities – a principal-agent continuum that runs from central office to field operations. How can this be structured in a corporation that employs its own owners ?

The Weberian argument that hierarchy is ubiquitous in complex organizations is nowhere more apparent than in plantation production. But cooperative ownership coupled with cooperative self-management weakens these same hierarchical responsibilities. An important question arises as to who exacts accountability – when the principals (owners) are the agents (workers) themselves? This question underlies the nature of accountability in cooperatively managed plantations, and is central to our understanding of the causal linkages between success or failure in cooperatively managed plantations.

Cooperative self-management of agricultural production may contain both participatory processes and centralized supervision — in the case of the KFI-assisted rubber plantation cooperatives, the tapping and gathering of latex, and the making of organizational decisions are often made collectively. There are very few incentives for exemplary performance and behavior, and fewer penalties for below-average performance. This explains why KFI had difficulties in salvaging joint, team, group, or cooperative production systems in other plantations voluntarily offered for redistribution.

In the rubber plantations of North Cotabato, for example, the information and knowledge possessed by members of the performance and behavior of their co-workers was significant enough to warrant the immediate parcelization of the land under individual production and growership. This writer remembers witnessing two groups of farmworker beneficiaries clashing with each other because one group felt that the other group was not working as efficiently.

The seminal work of Alchian and Demsetz (1972) on production, information costs, and economic organization resonates in the experiences of KFI in the plantation sector. Alchian and Demsetz argued that *"promoting production specialization requires that changes in market rewards fall on those responsible for changes in output".* This, in turn, is dependent upon two key demands placed on an economic organization – metering input productivity and metering rewards. In short, in choosing between small growership or collective production, an enterprise will choose group production only if it yields an output enough to cover the various input costs, plus the *"costs of organizing and disciplining team members".*

But these assumptions no longer apply in the case of KFI assisted cooperatives because hierarchy and the metering of performance is dampened by two factors : ***one***, the workers insist that rewards are equally distributed, and ***two***, those in need of monitoring, i.e., the workers, are the owners of the enterprise as well.

Citizens participation, or worker participation in enterprise management may be alternately viewed as either control or accountability. Participation as control mandates that workers direct the operations of the enterprise themselves, and as board members-owners should take an active role in controlling the operations of the enterprise. On the other hand, participation as accountability suggests that what is really important is that workers create the mechanisms that will make managers accountable to them, or leverage the accountability required from them.

Most of the rubber cooperatives interpreted participation as control. Brett (1996: 6-19) points to this important dilemma, though he approaches the issue from the behavioral claims that sustain the claims of rational choice as opposed to libertarian organizational theory. He notes that *"cooperatives involve team production, which will only succeed where everyone makes a fair contribution to the complex, demanding, and often unpleasant tasks involved."* He is pessimistic about the supposed advantages of libertarian systems which assert that workers' control will end the autocracy, exploitation, and alienation associated with one-person management, and increase efficiency by giving people a stake in their companies.

On the contrary, drawing from his own fieldwork experiences in Uganda, analyzing rural production and marketing cooperatives and NGOs, Brett noted that the results were disappointing – *"most cooperatives were inefficient, oligarchical, and corrupt, while most NGO projects involved heavy overheads, management and commitment were poor, and malfeasance and conflict were common".*

Finally, in one of the most important studies on cooperative behavior, **The Logic of Collective Action** (Olson 1971), the conventional wisdom on the logic of collective action was turned on its head. In his study, Olson noted how cooperative work in large groups always tended to produce sub-optimal output and performance, and was therefore — illogical.

For Olson the tendency toward sub-optimality is *"due to the fact that a collective good is, by definition, such that other individuals in the group cannot be kept from consuming it once any individual in the group has provided it for himself".* In his belief, the logic of collective action results in shirking, malfeasance, and sub-optimal behavior.

Indeed, workers typically react to conditions of work with a combination of resistance and accommodation manifested in a continuum between the two. Thus, accounts of plantation life across the developing world beginning from the 19th century detailed problems of desertion, assault and murder, shirking, malingering, feigning incomprehension of orders, and the destruction of crops and employers property.[9]

Productivity and Land Use

The literature and the evidence suggests that a deeper, case to case analysis and evaluation of the plantations subjected to redistributive reform should have been undertaken by the government, and by support groups such as KFI prior to development intervention, because (1) the level of information and knowledge of cooperative vis a vis individual behavior that is available among members of a cooperative is highly uneven, and (2) the need for lumpy inputs and for coordinating production with transport and processing are vastly different in the production scenarios per crop, season, and area.

It has been concluded long ago that an inverse relationship exists between farm size and productivity – the inherent superiority of small scale farming over large scale agriculture. Berry and Cline (1970) and Binswanger and Elgin (1990) have reached the same conclusion that only certain crops require lumpy inputs and demand tight coordination between growing, processing, and marketing activities, and thus require centralized supervision and control. Hayami et al (1990:143), argue with regard to banana and pineapple plantations in the Philippines that *"a centrally planned plantation system seems to have a great advantage in ensuring the timely collection of a large quantity of highly perishable commodities with sufficiently high quality for shipment to foreign markets".*

9 Munro (1993) argues that the "critical limiting factor of plantation agriculture was not so much the availability of land or even capital, but labor". He concludes on the need to develop trust, to avoid the portrait of silent defiance captured in a famous Ethiopian proverb, "When the Great Lord passes, the wise peasant bows deeply and silently farts".

To reiterate, there is insufficient preparation and capability building in ensuring that every activity in the agrarian reform communities are performed on the appropriate level and scale in accord with their technical and social requirements. A transaction cost analysis suggests that using large organizations and cooperative instruments where these do not apply will reduce rather than increase efficiency.

In the sphere of management there is need to distinguish between the proper production (farm cropping) level on the one hand and "support operations" like disease control, credit provision, processing, marketing, and coordination of all these operations, on the other. It has been shown by the empirical evidence that managerial diseconomies of scale derive from inherent inefficiencies of increased complexity of organization as farm size rises, which in turn makes labor supervision difficult especially due to the dispersed and sequential nature of farm work (Binswanger 1990; Nolan 1988; Dyer 1996).

An analysis therefore of the institutional changes underscored by cooperative arrangements and its instrument – the collective or mother title show the need to restructure farm production and exchange to improve productivity and equity, through the utilization of individual initiative over cooperation. This implies a retooling, on the part of NGOs, cooperatives, and people's organizations (POs) in the skills for strengthening small holder, individual, and household based systems of production. It also requires a deeper analysis and understanding of the incentive systems that are crucial in increasing productivity and incomes.

Recasting the Institutions that Reinforce Inadequate Organizational Arrangements

Institutional foundations of the bias towards cooperatives

Government policies on the mode of transfer of commercial farms covered by the CARP are underscored by crucial institutional foundations defined in the Constitution. Article XIII Section 4 of the 1987 Philippine

Constitution provides that the State shall, by law, undertake an agrarian reform program founded on the right of farmers and regular farmworkers, who are landless, to own directly or collectively the lands they till or, in the case of other farmworkers, to receive a just share of the fruits thereof.

Section 5 of the Constitution also provides that the State shall recognize the right of farmers, farworkers, and landowners, as well as cooperatives, and other independent farmers' organizations to participate in the planning, organization, and management of the program.

The above mentioned prescriptions in the fundamental law erode other policies that support individual farms such as Section 2 of the Declaration of State Policies and Principles of RA 6657 which provides that by means of appropriate incentives, the State shall encourage the formation and maintenance of economic-size family farms to be constituted by individual beneficiaries and small landowners. Under Section 29, it is generally provided that lands shall be distributed directly to the individual worker-beneficiaries.

In case it is not economically feasible and sound to divide the land, then it shall be owned collectively by the worker-beneficiaries who shall form a workers' cooperative or association. Finally, under Section 25, agrarian reform beneficiaries were given the opportunity to acquire collective ownership, through the principle of co-ownership in a cooperative or some other form of collective organization; and that the title to the property shall be issued in the name of the co-owners or the cooperative or collective organization as the case may be.

Ostensibly the provisions for collective farming are pitted against those favoring small farmers, and individual and/or household production. However, as aforementioned, the incentive structure seems to reward, rather than retard, collective ownership and cooperative production, despite the risks in terms of supervising labor, and the costs in terms of metering output and performance.

Rules and regulations that reinforced the bias

To reinforce the law's, as opposed to the program's, bias towards cooperative production and collective ownership, administrative orders were issued institutionalizing collective ownership as the preferred mode of ownership.

DAR Administrative Order No. 9, series of 1998 "Rules and Regulations on the Acquisition, Valuation, Compensation and Distribution of Deferred Commercial Farms" provides that commercial farms may be distributed collectively or individually. To expedite the acquisition, the commercial farms shall be initially distributed collectively or under co-ownership.

In case the beneficiaries desire to partition the land, DAR shall first determine whether it is economically feasible and sound to divide the land, in coordination with the Department of Agriculture and other concerned agencies. Thereafter, the beneficiaries may, by majority vote, decide whether to proceed with partition or not. The land shall be allocated to the individual beneficiaries by drawing lots in the presence of DAR representatives.

DAR Administrative Order No. 10, series of 1990 "Rules and Procedures in the Distribution of Private Agricultural Lands to Agrarian Reform Beneficiaries under RA 6657" provides in the statement of policies that to facilitate the distribution of lands, private agricultural lands shall preferably be transferred collectively to group of farmers.

DAR Administrative Order No. 3, Series of 1993 "Rules and Procedures governing the issuance of Collective CLOAs[10] and subsequent issuance of individual titles to co-owners" provides that collective CLOAs shall be issued to Agrarian Reform Cooperatives or Farmers' Associations to include the names of the individual members as co-owners to protect their interests. Where no such cooperative or association exists at the time of the coverage and acquisition, its formation shall be encouraged, preferably with assistance from non-government organizations (NGOs).

10 CLOA stands for "Certificate of Landownership Award."

Where the CLOA cannot be issued in the name of the cooperative or farmers' association, a collective CLOA on co-ownership basis shall instead be issued immediately to the ARBs, indicating the approximate area actually occupied by each ARB.

Collective co-ownership CLOAs may be issued to cover any "CARPable lands" whether private lands or for public lands within proclaimed DAR settlement projects or public lands turned over to the DAR by other government agencies and institutions.

Lands covered by collective CLOAs on a co-ownership basis shall be subdivided in accordance with the actual occupancy of the ARBs, provided it does not exceed three hectares. Landholdings covered by CLOAs in the name of cooperative or farmers' association may, at the option of the organization, also be subdivided based on the share of each member provided that the subdivision is determined by the DAR shall be economically feasible.

Within ten (10) years from the issuance of a collective CLOA, the DAR shall retain the option to generate the individual CLOAs in the name of the ARBs based on their request and the approved subdivision plan of the landholding and supported by the Deed of Partition executed by all co-owners named in the collective CLOA.

In all cases of subdivided collective CLOA, the subsequent individual CLOAs to be generated by the DAR for each co-owner shall be on a Transfer Certificate of Title (TCT), and CLOA forms shall be subsequently registered with the Office of the Register of Deeds (ROD) concerned.

If the ten-year restriction on alienation under Section 27 of RA 6657 has already elapsed, then issuance of individual certificates of title shall already be subject to the procedures and requirements of the Land Registration Authority (LRA) pursuant to the Land Registration Decree (PD 1529).

Memorandum Circular No. 14, series of 1994 "Additional Measures to be observed in the preparation of Collective CLOAs described in DAR

AO 3, series of 1993" and Memorandum Circular No. 24, series of 1996 "Amendment to MC 14, series of 1994" were issued to protect the integrity of the collective CLOAs.

Dismantling the institutional bias

The DAR thrust of facilitating the distribution of collective titles has been explained as supportive of the agency's objective of facilitating the acquisition of private agricultural lands including commercial farms (II.C, AO 10, series of 1990; Section 17, AO 9, series of 1998). It also mitigates the agency's time and financial constraints particularly in the conduct of individual surveys (Sec. 18 (2), AO 9, series of 1998).

But using the mother CLOA as an instrument for land tenure improvement hampers the efficient operation of commercial farms by workers' cooperatives. Since cooperative members do not have the title to the land in their names, they have not clearly internalized a sense of ownership over their lands or their enterprises. In many cases they still prefer to be mere workers of the cooperative, clamoring for higher wages or dividends without due consideration of the cooperative's financial capacity.

The key seems to lie in de-escalating the transfer of land under collective titles, or the reconstitution of the plantations under collective ownership into smaller plots under family or small holder management.

To do this, the government will have to reassess its use of the mother CLOA as the organizing mechanism, institutional foundation, and the facilitating factor behind cooperative arrangements. This feature of property rights reform has never been more accessible than under the present CARP.

Cooperative production and the mother title as a preferred mode of property rights reform has resulted in a set of issues in the agrarian reform communities. In corporate plantations, or in non-plantation, contiguous areas subject to distribution, the mother title has reinforced cooperative efforts at maintaining or introducing joint production. It has prevented the exploration of other mechanisms such as venture arrangements or contract growing (Rodriguez 2000: 10). This cooperation may help avert some risks in production, but they also restrain the dynamism of smallholder production.

The positive prospects of such cooperation are shown in the empirical evidence gathered: among others it has created an expansion in technological intervention through the spread of rental markets for farm tools and machinery; it has created a renewed emphasis on food production for subsistence; and it has enabled the leveraging of financial support and the purchase of necessary inputs. However, the negative aspects may soon outweigh the gains of cooperative ownership as wage pressures increase, interest rates go up, and as population expands. The transaction costs are also increasing in situations where no previous cooperative production existed. Meanwhile, the prohibition on tenancy arrangements limit the options for mitigating costs and securing reliable markets. Hence, there is an increasing demand to hasten parcellary mapping and transfer farm plots to individual beneficiaries. There has also been an increase in attractive financial offers being made to individual claimants that encourages land conversion.

A major challenge in the design of cooperative arrangements in areas subjected to redistribution has surfaced, and the institutional aspects and organizational requisites to address these issues are lacking in the agrarian reform communities. As the earlier arguments suggest, much of the institutional framework remains at the level of land transfer implementation, and a demand for new arrangements are intensifying.

Developing New Production, Management, and Financing Arrangements

The need for new modalities seems to have been on the mind of the government when it decided in 1998 to expand the menu of options available to agrarian reform beneficiaries, and their supporters or partners from within the private sector and civil society.

DAR Administrative Order No. 2 , Series of 1999 "Rules and Regulations Governing Economic Enterprises in Agrarian Reform Areas" was promulgated to address the need for greater private sector participation, both civil society and business, in the development of agrarian reform areas through agribusiness partnerships or arrangements, otherwise known as Joint Economic Enterprises, between beneficiaries and investors.

The objectives of joint economic enterprises are; (a) mobilize private sector investments in agrarian reform areas; (b) provide adequate support services and facilities to beneficiaries; (c) optimize the operating size of distributed lands for agricultural production; (d) ensure security of tenure and security of income of participating beneficiaries; (e) enhance or sustain the productivity and profitability of commercial farms; (f) hasten the transformation of agrarian reform beneficiaries into farmer-entrepreneurs; and (g) promote food security and enable local agriculture to be globally competitive.

Under this arrangement, farmer-beneficiaries or their cooperative, association or federation are encouraged to engage in any of the joint economic enterprises provided in the rules: joint venture; production, processing and marketing agreement; built-operate-transfer scheme; management contract; service contract; lease contract; any combination of these schemes; or such other schemes that will promote the productivity of agrarian reform areas.

A subsequent Executive Order No. 151 signed by then President Joseph Estrada expanded the possibilities further by authorizing the creation of farmers' trusts – a system where ARBs can pool their lands together, access fund investments for production, processing, transport, and /or storage needs, and hire competent managers to run large or medium scale enterprises.

The DAR is also presently experimenting with what it calls a Community Managed Agrarian Reform Program (CMARP), where potential beneficiaries negotiate with landowners the terms of land transfer, and are placed in the "drivers seat" in determining the sort of land they need, and the services and assistance they require.

But despite the elaboration of possible new institutional arrangements and models, agrarian reform advocates and development practitioners have generally avoided making use of the various menus. The CMARP has been highly criticized, and joint venture arrangements have been portrayed as new forms of exploitation – even colonialism.

As usual it has been the private sector groups, both local and foreign, that is pioneering the implementation of new modalities. Except of course for the KFI which saw the importance of the new possibilities, and started to experiment with alternative production, management, and financing arrangements. Among the modalities being explored, the KFI effort to utilize a combination of individual farming and household-based production, targeted anti-poverty investments in ancestral domain areas and forestral lands, and export-led agribusiness plantation and estate development following the Malaysian experience appears to be the most promising. This is so for at least three reasons.

One, in contrast to the private sector, KFI advocates a set of policies, and implements a development plan that allows for a combination of household and plantation agriculture. Most of the private sector aqribusiness entrepreneurs, save for a few engaged in pioneering growership arrangements, are still captured by their bias towards plantation production. The belief that transacting with growers is far costlier than the supervision and monitoring of agricultural labor remains dominant.

Two, again in contrast to the private sector, KFI is wholistic in terms of designing an intervention package that includes targeted investments in environmental protection and development, poverty reduction, and the protection of ancestral and indigenous rights – investments which have long been identified as critical contributors to enhancing equitable growth, ensuring justice, and deepening social capital – which is inherently good for business.

Three, in contrast with other NGOs and citizens movements, KFI is not hampered by an ideological attachment to models. The organization has consistently demonstrated its ability to actualize development using practical menus, empirically tested and verified in the field, and its capability to network with the state, the private sector, and other groups within civil society. DAR itself recognizes the KFI as its frontline partner, and most reliable colleague in developing the redistributed plantation sector.

These distinct but integrated initiatives can de designed into a local convergence initiative to spur diversification, create more jobs in agriculture, with multi-stakeholder participation. The model that flows from this study is one of ***comprehensive community and land development***, where households and communities residing in several hundred to a thousand hectares in strategic areas develop their capabilities and widen their endowments, — and where investors, financial institutions, NGOs, local government units, technology providers, and national line agencies may converge for mutually and socially beneficial outcomes.

In terms of management capability, increased investments in training and skills development, combined with access to funds that can enable agrarian reform beneficiaries to hire competent managers can be developed within the framework of Executive Order No. 151, or the Farmers Trust program. The elaboration of the rules and regulations governing the Farmers Trust program is therefore strategic.

New sources for financing agrarian reform and rural development need to accompany these reforms as well. A foremost objective is to enact an idle land tax at the municipal and provincial level. Another critical requirement will be for the State to jettison its bias against directed credit, and to start the process of developing new risk-aversion mechanisms such as guarantee funds and crop insurance programs. Two financing modalities may be employed immediately.

One, in the case of equity financing and enterprise lending, the state should expand and make more flexible its credit matching program, such as the previous 75-20-5 sharing arrangement pioneered by the Land Bank of the Philippines (LBP). KFI, for example, proposes a new model where the local equity may be increased to 20% from the previous 5%. The State should also undertake similar reform efforts in financing development, which may include (1) mandating the participation of private sector equity, and (2) reversing the effort to transform the debt to equity ratio for state-assisted credit programs.

Two, the State should explore financing arrangements that are attractive to the private sector – such as giving commercial banks better access to landowner compensation bonds, or by enhancing the collateral value of certificates of land transfer. To strengthen the collateral value of CLOAs, and to transform these into more negotiable instruments, the State should consider abolishing the prohibition against the sale, transfer, and/or conveyance of CLOAs within the ten year period. A 30-year float for new agrarian reform bonds are among the various modalities now being considered.

Conclusion

This study provides a synthesis of the institutional and organizational arrangements that promoted and facilitated the cooperative bias in the redistribution of commercial farms and agribusiness plantations. In the rubber plantations covered by agrarian reform, an evolutionary model of the rise and fall of cooperative management is employed. This model is linked closely with the experience of the rubber industry, but strong similarities appear in other plantation economies such as in the pineapple and banana sector.

The study highlights the positive experiences and the powerful role for institutional and organizational reform that professional development groups such as KFI can play. These include improving the capabilities and enhancing the competitiveness of the agrarian reform communities arising from redistributive reform in the plantation sector.

Without discounting the positive experiences that accrue from joint production and cooperative management elsewhere, the author nevertheless remains skeptical of cooperative self-management. This study strongly suggests that plantations transferred to farmworkers should immediately be subjected to parcellary mapping and individualization. Deferring parcelization can only be tolerated for a short period of time, and should be accepted only if the proponents are able to demonstrate the financial viability, efficient labour utilization, and competitiveness of the enterprise.

E.A. Brett argues that *"altruism may cure the problem of opportunism, but it cannot solve the problem of bounded rationality".* The author is less generous, and believes that solidarity can neither solve the problem of opportunism nor of bounded rationality.

Finally, this paper advances some recommendations to erode the cooperative bias, and to focus on comprehensive habitat development were advocated by the author, and the tentative principles for such a model. The author points to current efforts of the KFI to design new modalities for increasing productivity, improving accountability and management, and mobilizing financial and technical support as a potential starting point for fostering the discourse on habitat development.

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