

**LAND POLICY FOR POVERTY REDUCTION AND
ECONOMIC GROWTH**

By

**Dr. Clarissa Augustinus, Chief of Land, Tenure and
Property Administration Section, UN-HABITAT**

and

Dr. Klaus Deininger, Senior Economist, World Bank.

*International Conference on ‘Policy Meets Land
Management: Contribution to the Achievement of the
Millennium Development Goals.’*

Munich, Germany 17-18 April, 2008

1. Introduction: Putting land and the MDGs into context

This conference focuses on links between land management, land administration and the MDGs. The MDGs associated with land include MDG 1 on food, MDG 3 on women and MDG 7 Target 11 on slums. There has not been sufficient achievement on these issues as women's rates of land and property ownership remain low, food security issues have become a key issue once again and the goal on the reduction of slums remains problematic. Noting that the MDG on slums is to improve the lives of 100 million slum dwellers by 2020. The slum target concerns improved water, sanitation, sufficient living area and durable housing. Deprivation takes different forms in different countries and situations. In 2005 one out of every three urban dwellers lived in slum conditions. Sub Sahara still has the highest incidence of slums with 62%, followed by the Southern Asian region at 43%. In Asia and Latin America, where access to improved water and sanitation is almost universal, shelter deprivation is mainly characterized by overcrowded and non-durable housing. In 2005 about 20% of the urban population of the developing world lived in houses that lacked sufficient living areas (with more than 3 persons sharing a bedroom). Since the MDGs were formulated, a number of additional challenges have arisen.

Rapid increases in food and commodity prices: Partly fuelled by oil price increases and the emphasis on biofuels, prices for rice have more than doubled compared to a year ago. This will not only lead to reductions in the welfare of net buyers of food, who are in many cases among the poorest, but also lead to increased demand for land, making it more critical that property rights are clearly defined.

Climate change: While the MDGs are based on the realization that individual countries cannot be de-linked from broader global trends, recognition of the global relevance of climate change has led to a number of actions to mitigate its impact, e.g. through re-forestation of marginal lands or through the avoidance of de-forestation. There is an emerging consensus that market-based mechanisms are more likely to be the most successful way of addressing this issue but this is only possible if property rights are assigned correctly. Addressing climate change in urban areas will require appropriate forms of land management which will again require good land information and well assigned property rights.

Agricultural productivity: After a long period of neglect, the 2008 WDR has reminded all of us that agriculture remains fundamental to economic growth, poverty reduction, and environmental sustainability. Agricultural growth has 2 to 4 times the poverty reducing effect on the poorest compared to non-agricultural growth. While many factors need to come together to boost agricultural productivity, tenure security is one of them. The huge productivity impacts of changes in land tenure arrangements due to China's Household Responsibility System and Vietnam's Doi Moi policies -which transformed the country from a net importer of rice to one of the largest exporters of almost any type of agricultural goods- illustrate this.

Rapid urbanization: Rapid urbanization had been predicted. However, it is clear that sustainable urban development for cities and towns remains a challenge in most countries. Land delivery, often through informal or corrupt means, is causing unplanned urban sprawl. This in turn leads to high cost service delivery, or no service delivery, clogged transport routes and long commutes, environmental pollution, and a range of inefficiencies that impact the economic growth of cities, which are often the power houses of the national economy. Moving urban areas to sustainable

development is also key to be able to absorb the climate refugees of the future, as the urban areas currently often absorb refugees fleeing from conflict.

2. How can land policy help to achieve the MDGs?

Efficient and sustainable resource use: Historically land rights evolved to give incentives for maintaining soil fertility, making land-related investments, securing residential rights and managing natural resources sustainably. If land rights are insecure or only short-term, users are unlikely to invest their full effort, make improvements to the land, or be able to exchange it with others who may be able to make better use of it. Because of the spatial concentration of demand, urban and peri-urban land is especially valuable, thereby increasing the intensity of competition for the most efficient use. High intensity uses, however, often require more costly infrastructure and spatially fixed investments for which secure property rights become more crucial. Secure and unambiguous property rights are critical for the temporary or permanent transfer of land to more productive uses and users. Numerous studies have shown that secure property rights will provide benefits to the land-poor producers who are then able to utilize land access to leverage additional productive resources.

Identity and stewardship: The relevance of access to property goes way beyond its role as an economic asset. Secure property rights provide a sense of identity and belonging, it determines status in many settings where government programs are unable to reach, or are not feasible to implement. In urban settings, claims on property and concomitant municipal services also help to consolidate political identities, as dense pockets of informal settlements often become a very visible political constituency. The response to such constituencies, which often represent the poorest, can bolster or undermine the credibility of public policy, thus affecting political outcomes. For many poor individuals and communities, the relationship with land is more than just an aggregate of individually occupied and used plots; it is a system that includes other land-based resources used in common. The need for tenure security does not stop at the border of cultivated parcels, but extends into other components of the system.

Private sector development: The evolution of efficient financial markets will depend on whether land can be used as collateral and the extent to which land can be transferred at low cost. The development of mortgages and financial markets require appropriate conditions. In developed countries more than two thirds of small business loans are secured against land and real estate. In Eastern and Central Europe formal land titling, especially in urban and peri-urban areas, helped to start mortgage markets that now comprise a large part of overall lending. Businesses, small and large, require land to operate. Non-transparent, corrupt, slow and inefficient systems of land administration and allocation constitute serious obstacles to conducting and expanding business, thereby harming the poor also through labor markets. Investment climate surveys indicate that access to land was the *main* obstacle to conducting and expanding business by 57% of the enterprises interviewed in Ethiopia, 35% in Bangladesh, and about 25% both in Tanzania and Kenya.

Social safety net: The importance of land for economic development does not mean that it is irrelevant for poverty reduction -quite to the contrary, access to even small plots of land to grow crops can greatly improve food security and quality. China illustrates that broad-based land access can provide a basic social safety net at a cost that is much below alternative government programs, thus allowing government to spend scarce resources on the provision of productive infrastructure instead of safety nets. Also, having their basic subsistence ensured is likely to have

allowed Chinese households to take on greater risks in non-agricultural businesses and, with policies to foster lease markets for land, contributed significantly to the emergence of a vibrant non-farm economy.

Accountability, transparency, and social peace: In many developing countries, more than half of households' wealth is in land and associated real estate. If the system to administer such a significant part of national wealth is perceived to be corrupt, overstuffed, slow and not trustworthy, it will be difficult to maintain confidence in the rule of law and the competence of the state. Improving land administration can thus contribute to broader public service reform as in the state of Karnataka (India) where computerization of 20 million land records within a short period of time resulted in a reduction of corruption, improved satisfaction with public service delivery and, because it was financially self-sustaining, also provided a basis for reforms beyond the narrow realm of land. Too often the state infrastructure associated with land administration has been captured by the elites who use it to obtain vast amounts of land and natural resources leading to the highly unequal distribution of land both in terms of ownership and access. Where land and natural resources are becoming increasingly scarce and in demand the integrity of the land administration system itself is a key for gaining social peace.

Revenues for local governments: Economic development and the increased demand for land linked to together with public investment in infrastructure increases land values. However, in many cases the lack of well-functioning mechanisms to tax land means much of the gains fuel speculation or end up in bribes, instead of contributing to the wider public good through a strengthened role of local government. Colombia illustrates the potential for quick increases in land taxes that can contribute significantly to local government revenue, which helps to match the decentralization of responsibilities for service delivery with the required resources. There is also increasing evidence that without a well functioning urban land tax system, that land speculation leads to increases in land prices in a way that seriously undermines the sustainability of cities.

3. Implications

To respond to these, four key challenges have to be met by land administration systems, namely to ensure tenure security for the poor; cost-effectiveness of land administration; transparent management of public land and overriding interests by the state; and the supply of opportunities for access to land.

3.1 Promote a continuum of land rights to enhance tenure security in rural *and* urban areas

Numerous studies have shown that providing people who use, or own, land with security against eviction enhances their competitiveness, by encouraging land-related investment. While earlier interventions to improve tenure security focused almost exclusively on individual titling, this type of intervention can leave out or weaken communal, family, secondary, or women's rights. Also, where corruption is endemic and information asymmetries difficult to eliminate, the act of titling can increase the risk of land-grabbing by elites and bureaucrats. So, although individual titling is still appropriate in many cases, it needs to be complemented by new approaches to securing tenure that more fully cover the spectrum of potential property rights. A range of land rights would make it more possible for people to be able to get a foothold on the property ladder.

Recognize customary tenure: In many countries vast expanses of land held under customary tenure do not enjoy legal protection, and traditional rights are often at odds with legislation inherited from colonial times. For example, in many African jurisdictions customary tenure is considered to be ‘state land.’ In this situation people who cultivated this land for generations have only precarious tenure rights. They could lose their land, for example, to make room for ‘strategic investments’, with little or no compensation. Over the last decade a large number of African countries have adopted a wave of new land legislation to recognize customary tenure, make oral forms of evidence admissible, and establish decentralized land institutions. Similar legal innovations have appeared in the context of recognizing indigenous land rights in parts of Asia and the Americas. These types of policy interventions could usefully be adapted to other parts of the world. While these hard won policies and laws have been introduced they now need to be implemented.

Allow secure rights to forest and marginal lands: In many parts of the world forest and marginal land cannot be owned by individuals, even where this land area is highly degraded and is no longer covered with forest. Giving secure tenure to such land, or assurance of permanent access to resources on such land, as has been done for community-based watershed management in India, provides incentives for legitimate rights holders to undertake investments. At the same time, the delineation and registration of forest land is key to the protection of this public asset and to provide the basis for effective management and land use planning by the state as a public good. The land administration system for forests needs to be integrated with the general land administration system for improved management and sustainability, and this is particularly urgent for the management of urban areas close to forests and here Indonesia is a case in point where over 70 percent of the country is still designated forest, despite urban development, plantations and large scale de-forestation.

Communal lands and common property resources, including grazing and forests, are special cases of customary tenure. In addition to their productive value, they are critical as safety nets for the poor and/or have important cultural values associated with them. They are however vulnerable to environmental degradation, as well as the appropriation by powerful chiefs, outsiders, or bureaucrats, unless the common property resource management system is reinforced by legal sanction. Increasing access to such resources and their productivity can be achieved by:

- Reaffirming and strengthening customary rules in ways that are participatory, and reflect the diversity of the ethnic, historical, and social constructions of land. This has been done in numerous participatory land use mapping exercises, following the pattern of the *plans fonciers ruraux* in Francophone West Africa. This has involved the delineation of legally valid boundaries, the identifying of existing rights that may overlap, or be of a seasonal nature (e.g. between herders and sedentary agriculturalists), and the recording of them as appropriate.
- In many situations (from Indonesia to India), where communal land rights are not legally recognized, people are forced into individualized land rights if they want security of tenure. The way forward is to allow communal land ownership as a legal option, linked to some form of regular management decisions in an accountable body that functions transparently, together with clear rules for conflict resolution that are respected by all involved. Arriving at culturally appropriate legal forms for such bodies is a key to sustainability.

- The promotion of legal literacy, as well as the access to institutions in order to close the gap between legal provisions on the one hand, and reality on the ground on the other hand. Evidence from Uganda suggests that, greater knowledge of laws providing tenure security to customary tenure, leads to higher land-related investment. That is, the successful dissemination of information significantly impacts productivity and equity.¹
- Ensuring that customary forms of tenure can evolve towards more formal types of tenure through a well-defined and transparent process, if and when, in the judgment of those concerned, the benefits from more individual ownership, exceed the cost. Ejido land in Mexico, which can be transformed into fully alienable freehold land based on a qualified vote by the assembly, is a good example. The fact that only about a tenth of *ejidos* chose to go this route illustrates that, even at high levels of per capita income, many users see benefits from maintaining communal relations to be greater than those from full individualization of rights. The Namibian Flexible Land Tenure approach has also adopted this incremental process for urban areas in order to bring informal settlements into the land administration framework over time.

Explicitly provide for women's rights to land: The nature of women's land rights affects productivity and investment where they have a significant role in cultivation.² In addition, where land is a key asset, land rights are critical for women's bargaining power within the household, the economic opportunities they are able to utilize, and their long-term security in case of divorce or death of family members. The increase in HIV/AIDS-related mortality has greatly exacerbated the impact of inheritance; studies show that prime age women whose husbands died had to spend considerable amounts of time and resources on defending their claims to household land at a time when the loss of a household member already threatens their economic survival, with negative impact on their own and their children's welfare. Recognition of the adverse consequences of discrimination against women in terms of inheritance has led these issues to be included in constitutional provisions which enjoy precedence over other types of legislation in many countries. Also, where implemented, laws mandating issuance of joint titles, modifying inheritance legislation, and ensuring female representation on land administration institutions, have had a positive impact. However, where legal provisions clash with traditional arrangements, enforcement cannot be taken for granted and specific efforts to create awareness and allow the effective exercise of women's land rights may be needed. Successive amendments to India's Hindu Succession Act -- first at the state level and then in 2005 nation-wide -- illustrate these challenges and reveal that access to information is a critical tool to translate legal changes into actual practice.

Expand options for dispute resolution and conflict management: In many developing countries a large share of court cases originates in land-related disputes. Apart from clogging up the courts and stifling investment, unresolved conflicts can depress the productivity of land use and cause distortions in urban spatial form and service delivery. Increasing land scarcity and rapid changes in land use will continue to be associated with a significant increase in the potential for land conflict for the foreseeable future, especially at the interface between nomadic and sedentary land use, in areas of rapid expansion of export crops, and at the peri-urban fringe and in inner city slums. Traditional and religious institutions can resolve some forms of localized disputes. However, these institutions are not well equipped to address disputes that cut across groups from

¹ .
² , .

different communities (e.g. nomads and sedentary agriculturalists), across ethnic or religious boundaries, or that between individuals and the state. Expanding the range of options to resolve land conflicts systematically and out of court can have large benefits, especially for the poor and for women who otherwise are often unable to enforce their legal rights as demonstrated in India³ and Ethiopia. Even the direct impact of doing so can be significant; for example in Uganda productivity on plots under dispute is less than a third of that on unaffected plots.⁴

Expand options for incremental consolidation of property claims: Alternatives to conventional private land titles are increasingly used to enhance urban land tenure security⁵. As many of them do not require prior physical planning, provision of infrastructure, and surveying, they allow widespread comparatively rapid coverage, at costs that are affordable to the poor. In Pakistan, incremental expansion of urban services allowed the conversion of informal settlements (*katchi abadis*) in Hyderabad into legal housing neighborhoods. In some cases, such as Trinidad and Tobago, these alternative instruments have the added advantage of being part of an incremental process of acquiring secure tenure. There the State Land (Regularisation of Tenure) Law of 1998 paved the way for the progressive issue of Certificates of Comfort, Statutory Leases and Deeds of Lease to informal settlers on State land. A similar model has been under development in Namibia since the late 1990s and proposes a continuum comprising Starter, Landhold and Freehold titles.

Include land issues in post-conflict settlements: Land issues have often been at the root of broader civil strife, such as in Kenya. Failure to devote proper attention to these issues in post conflict settlement, including ways of managing access to land by returnees and internally displaced people, can easily undermine the sustainability of such settlements and sow the seeds for further violence. Learning from successful examples of addressing land-related grievances and the settlement of large numbers of people in a rapid and decentralized way, e.g. in Mozambique or El Salvador, can provide useful lessons that will help prevent limited conflicts from festering and escalating into larger ones. Such conflicts generally have very damaging humanitarian and economic consequences, including the large scale loss of livelihoods.

3.2 Improve efficiency in land administration

The effectiveness of legal provisions depends on the availability of institutions to underpin them and for enforcement. In particular, many of the expected economic benefits (especially exchange and use of land as collateral) from secure land rights will not materialize unless a well-functioning, transparent, and accessible land administration system is in place, to allow unambiguous verification of land rights (as well as any potential encumbrances) at low cost.

Document land rights at an appropriate level: While the legal recognition of existing rights is an indispensable first step, there is often demand to demarcate plots (either for individuals or a group) and issue certificates to gain protection from the actions of the state, reduce boundary disputes with neighbors and to facilitate land transactions. High survey standards and the associated costs under traditional technology -- between \$20 and 60 per parcel -- has been a major obstacle to broaden implementation. But recent advances in technology -- including the widespread availability of satellite imagery and handheld GPS devices, together with institutional arrangements that put local actors in charge of systematic adjudication -- can

³ Raju et al (2006)

⁴

⁵ See e.g. Payne G. 2002. Land rights and Innovation – Improving Tenure Security for the Urban Poor. ITDG Publishing. London. 2002 or Durand-Lasserve A. 2003. Land Issues and Security of Tenure. Background Report prepared for the UN Millenium Project Task Force on Improving the Lives of Slum Dwellers. National Centre for Scientific Research, France.

significantly reduce the cost of issuing certificates that measure boundaries with reasonable levels of accuracy. Experience points toward considerable demand for these land certification programs, as in Ethiopia. However, for any first-time registration or recordal of land rights to have a lasting and pro-poor effect it needs to be integrated with the institutional and information management systems in a cost-effective way, that is in line with what users are able and willing to pay.

Increase accessibility and transparency of land administration: In many countries land administration is one of the most corrupt public services. Some of the most egregious examples include irregularities and outright fraud in the allocation and management of public lands. In Kenya land grabbing by public officials reached systemic proportions in the 1980-2005 period and was identified as “one of the most pronounced manifestations of corruption and moral decadence in our society.”⁶ But even petty corruption in regular service delivery can involve large sums and have far-reaching economic consequences. In India the amount of bribes paid every year by users of land administration services is estimated at \$700 million,⁷ which is three-quarters of the public spending on science, technology, and environment. Modern technology and partnerships with the private sector can help to improve transparency and at the same time make land administration more accessible. Computerizing records in the Indian state of Karnataka under a PPP model is estimated to have saved users \$16 million in bribes.⁸ Automating registration and land valuation allowed outsourcing to the private sector, which significantly improved access, and also resulted in cuts in stamp duty from 14 percent to 8 percent, while quadrupling tax revenue from \$120 to \$480 million. As a key purpose of land registries is to give public notice of land ownership and transactions, making registry information publicly available on the internet can reduce transaction cost and by allowing independent cross-checks, greatly increase public confidence in them.

Make land administration financially self-sustaining: Land administration institutions will be viable in the long term and independent from political pressure only if they can sustain their recurrent operations financially, without charging more than users are willing to pay. This in turn is a precondition for all the other benefits from land administration to materialize. In Nigeria registering a land transaction requires at least 250 days and requires payment of official fees equivalent to 39% of the property value. Such high transaction costs force people into informality. While the reforms required to make land administration systems more efficient are well known and their effectiveness has been repeatedly demonstrated, implementation has often faced strong resistance from vested interests who benefit from the status quo. Experience in India with for example internet kiosks operated by local youth, illustrates that decentralization and outsourcing to the private sector (including community-based groups) can help to reduce costs and increase accessibility to land administration services.

Eliminate institutional fragmentation and regularly monitor effectiveness of service delivery: In many countries land administration functions are distributed among many Ministries (justice, environment, agriculture, urban, finance, land reform, forest, mining, local government etc.). In the worst case this creates grey zones of overlapping competencies which serve as a breeding ground for non-transparent practices. Even if responsibilities are clearly assigned and overlaps avoided, this wide distribution of functions creates confusion among users, prevents realization of economies of scale, and thus increases the cost of providing land administration services. At

⁶, p. 192.

⁷.

⁸.

the same time, land administration, that is all matters relating to land rights, should be separated from land management/use functions. Finally, although land administration is not different from other public services at a conceptual level where client satisfaction surveys and other means to monitor performance have by now become common, countries are moving only slowly to systematic monitoring of cost-effectiveness and efficacy of service provision in this area. This is despite the fact that monitoring is critical to ensure service delivery and the maintenance of support for the broader policies required to make these more effective, and allow for cross country comparison.

Recognize the role of multiple actors, invest in capacity building and regulate the role of the private sector: Outsourcing key functions to the private sector can greatly enhance efficiency. However, the private sector requires a clear regulatory framework (e.g. minimum qualifications for licensing, liability and fines for inappropriate work) within which to operate, as well as the technical capacity for carrying out the necessary tasks. This requires a long-term emphasis on the capacity building also of the private sector, rather than a focus purely on a public sector monopoly on land sector delivery. Eastern European countries, virtually all of which have made the transition from a government monopoly to varying degrees of private sector involvement, provide examples of this. A related issue is the links between land administration systems and the courts. Also as a general principle, land registration should be separated from the judicial process, as the need to have a judicial process usually increases the cost of land registration.

3.3 Increase opportunities for land access

Increasing the security of property rights will have limited direct benefits for those who do not already have property. While land rental markets can, in rural and urban areas, provide an important avenue for greater land access by the poor and landless, these markets will probably need to be complemented by other measures to increase the asset endowment by the poor, especially in situations where huge inequalities have been exogenously imposed.

Create an enabling environment for rental markets: In developed countries about 50 percent of farmland is rented, often under sophisticated contractual forms. In most developing countries, by contrast, land rental markets are underdeveloped. However land rentals are increasing in places where they had not been practiced extensively earlier—as in Eastern Europe,⁹ in Vietnam where rental participation quadrupled to 16 percent in five years,¹⁰ and in China where they allow rural communities to respond to large scale out-migration. Productivity-enhancing rental transactions will not fully materialize, or the poor may be excluded, if tenure is insecure or restrictions constrain land leasing. Studies in the Dominican Republic, Nicaragua, and Vietnam show that insecure land ownership reduced the propensity to rent and limited transactions to pre-existing social networks, despite the associated inefficiency¹¹. Fear of losing the land, together with explicit rental restrictions, was the main reason for suboptimal performance of rental markets in Ethiopia.¹² Tenancy restrictions in India reduce productivity and equity. Replacing them with policies that facilitate renting will improve access to land by those remaining in the rural sector, as large population movements induced by overall economic growth accelerate. The case of China illustrates that, in the context of broad-based land access, rental can greatly enhance efficiency, while at the same time providing a basic social safety net at a cost that is much below

⁹

¹⁰

¹¹ Macours, K., A. de Janvry, and E. Sadoulet. 2005; Deininger, K. and J. S. Chamorro 2004 Deininger, K. and S. Jin. 2007

¹²

alternative government programs, thereby allowing government to spend scarce resources on the provision of productive infrastructure instead of safety nets. Also, having their basic subsistence ensured is likely to have allowed Chinese households to take on greater risks in non-agricultural businesses and, with policies to foster lease markets for land, contributed significantly to the emergence of a vibrant non-farm economy.

Strengthen the framework for land sales markets: Compared with land rentals, sales markets for acquiring ownership increase investment incentives and provide a basis for using land as collateral in credit markets. But imperfections in other markets, and expectations of future land price increases, affect the functioning of land sales markets more than that of rentals, implying that they would not necessarily transfer land to the most productive producers. Thus, historically, most land sales were due to distress that required defaulting landowners to cede control of their land to moneylenders, who amassed huge amounts of lands.¹³ However, these circumstances may have changed over time. Data on land sales over 20 years in India illustrate some of the peculiar features of land sales markets: First, they transferred land to better cultivators and from land-abundant to land-scarce households, allowing the land-scarce to improve their welfare¹⁴ without making sellers worse off. Sales markets were indeed thinner, more affected by life-cycle events, and less redistributive than those for rentals. Especially, climatic shocks increased the probability of land sales, but this effect was mitigated by local safety nets (employment guarantees) and access to credit from banks.¹⁵ In sum, within the given institutional environment, land sales and purchases did more than redistributive land reforms to equalize land ownership.¹⁶ This implies that efforts at redistributive land reform will need to aim at complementing what is being achieved by market forces rather than to substitute for them.

Limit administrative controls on sales: The above implies that often there is little justification for policy measures to restrict land sales, which often drive land sales underground, turn formally documented land into informal, and undermine access to formal credit. If there is an issue of asymmetries in power, access to insurance, and information leading to undesirable land market outcomes or speculative land accumulation, safety nets and other measures, including ways of redistributing land, will be more appropriate to prevent distress sales. Moreover reasonable land taxes can curb speculative demand and encourage better land use, while providing revenue for local governments to fulfill their functions.¹⁷ The functioning of land sales markets will also be negatively affected if, in case they need to repossess land, creditors will have to call on the courts. While costly in the best of circumstances, this will be even more difficult in an environment where courts lack impartiality or, due to work overload, are unable to provide decisions quickly.

Reduce the transaction cost of land sales: A key reason for land sales to be driven into informality, which can over time threaten the integrity of the registry information, is the desire of individuals to avoid high levels of taxation, mainly in the form of stamp duties, or the need to make informal payments. The way forward is to set clear fee structures that are well-publicized, reduce stamp duties, possibly by replacing them with a land tax, assessed at the local level. Such a tax, complemented by a capital gains tax if necessary, could encourage productive land use and reduce incentives for speculative land accumulation, thus making productivity-enhancing

¹³ , , and .

¹⁴ Although their initial level of income and assets was not significantly different from the average, their level of assets and income in 1999 was more than 50 percent above the mean while their level of consumption was about 20 percent above the average.

¹⁵ .

¹⁶ .

¹⁷ .

outcomes from land sales markets more likely and also put land into a broader framework of local governance where funds are available to finance local infrastructure which in turn will be capitalized in increased land values. This is especially important in urban areas where land speculators have often captured the increase in land value which is associated with the supply of infrastructure by municipalities. If this increase is not captured by the municipality through land value taxation, municipalities can find themselves to be severely undercapitalized when faced with massive urbanization and the need to supply new trunk infrastructure and services.

Make land reform effective for increasing the productive assets of the poor: Land markets and the formalization of existing land rights are not a panacea for addressing structural inequalities in countries with highly unequal land ownership, which reduces the productivity of land use and holds back development.¹⁸ Ways of redistributing assets such as land reform are needed to overcome the legacy of inequality. While the postwar experiences of Japan, Korea, and Taiwan, China show that land reform can improve equity and economic performance, many other cases illustrate the difficulties involved, such as where land reform was not able to be fully implemented or there were even negative consequences. If, within a broader strategy of poverty reduction, redistributive land reform is found to be more cost-effective in overcoming structural inequalities than alternatives, it needs to be complemented by access to managerial ability, technology, credit, and markets for the new owners, to become competitive. Experience in South Africa and Brazil demonstrates that unconventional avenues (e.g. partnerships and joint ventures with old land owners) may be a useful first step. South Africa has also demonstrated that urban land reform, where over 2 million land documents (mostly title deeds) with houses were handed over within a 15 year period (when leased public land was converted to ownership), can be done with cross subsidization of the poor. A possible alternative, the impact of which needs to be explored more systematically, is the distribution of small house and garden plots to the destitute to increase their food security and social status, while at the same time allowing them to climb at least the first rung on the property rights ladder.

Make benefits from past land reform permanent: There are also many situations where those who have received land rights in the past, either through programs of land reform or through regularization, are unable to enjoy the full benefits because they have not received full ownership rights or because transferability of their rights were restricted, in some cases for political reasons. As the ensuring second generation problems can threaten to undermine earlier successes, it will be important to provide full ownership rights to those affected, if need be by identifying innovative approaches, e.g. a credit-financed purchase of residual ownership rights by one of the parties involved.

3.4 Link land tenure and (local and global) public goods

The limited outreach and/or high cost of land administration systems are often a key cause of tenure insecurity. However other key causes include, the large-scale ownership of land by government, their ability to impose planning restrictions that have little economic justification, and their ability to expropriate without compensation (or at below replacement value). To be able to make optimum use of land, it is necessary to have clear rules for management of public land and the devolution of control to individual users, as well as clear rules for the way in which eminent domain is exercised.

¹⁸ .

Eliminate inappropriate planning regulations: Overcoming informality in urban areas will be impossible without a careful review of planning regulations -- some of which such as minimum lot sizes, are used with the explicit purpose of segregating property markets. While other regulations such as price and rent controls, land ownership ceilings, restrictions on the ability to transfer land, and prohibitions on land ownership by institutions or foreigners, may have been introduced with more benevolent goals, they may nonetheless affect the poor negatively and, through their impacts on urban form, be environmentally and socially harmful. While it is dangerous to generalize, in practice the only reason for the continued existence of such regulations is either limited knowledge on alternatives that would allow achievement of the desired goals in a more effective way, or the fact that they benefit powerful vested interest groups who are generally not the poor. A careful review of the costs and benefits from such regulations, is critical. Regulations should be assessed as to whether enforcement costs exceed benefits, and whether they are hurting the poor. They should then be amended, drawing on the ample grassroots experience that exists. In cases where no externalities or public goods are involved, the regulations may be best abandoned.

Benchmark regulation against affordability: Regulation is a key policy lever affecting the operation of urban land markets and particularly the poor's access to shelter and land. There is ample evidence that when formal land development parameters (such as minimum plot sizes, setbacks and infrastructure servicing standards) are not benchmarked against the affordability levels of the majority of the urban population, the poor are excluded from access to formal land documentation. That is, the poor are turned into second class citizens of the city. More realistic and appropriate regulations are needed to address this constraint, especially in a way where the standards allow for incremental improvement.

Establish transparent and participatory land use planning: Even if rules are well justified, in many countries land use planning is either non-existent or follows non-transparent and highly centralized processes. This implies that rules often have little relevance for reality and are neither cost-effective nor enforceable. Focusing central government efforts on defining clear performance criteria for land use and ways of enforcement, while leaving detailed planning to the local level, is a more efficient and cost-effective means of establishing coordinated and consolidated plans, particularly in situations where cadastral information is not current. This could possibly be a precondition for community based participatory planning models for demarcation. Provided that proper safeguards are adhered to, this is likely to result in plans that focus on relevant issues, have higher local acceptance, and thus stand a better chance of actually being implemented than those that are imposed from above.

Public land management and land market outcomes unfavorable to the poor: Public land ownership and management can unintentionally have adverse impacts on land market outcomes. This can occur on account of:

- (a) Withholding of land from the market – the State often fails to strategically interject parcels of land onto the market in a way that could bolster land supply when demand is high. Such withholding not only creates artificial scarcity of land but also imposes efficiency costs on cities by increasing commuting distances and costs and by hindering agglomeration economies for commerce and industry¹⁹.

¹⁹ Liu, F., (2005). "Interrupted Development" Failure in Urban Land and Housing Markets.

- (b) High transaction costs - tedious institutional arrangements for public land management lower the elasticity of supply of land and diminish access for the poor.
- (c) Limited functional decentralization - when public land management is a centralised State function, or where *de facto* functional and financial decentralization are weak, responsiveness of land supply is adversely affected by communication gaps, competing and unconnected priorities, and limited opportunities for feedback from the poor.

Define government's land rights and duties and establish an inventory of government land: In virtually all countries the government nominally owns large amounts of land. However, the extent of such claims and associated rights and obligations are often not well defined. At best this will undermine the security of those who may use such land leading to under-utilization of resources. At worst, it will encourage sell-offs of public assets to the well-connected leading to a speculative accumulation of large non-productive land holdings or concessions and/or the corrupt use of the land by government officials creating their own revenue streams from the public land (e.g. rentals of illegally built housing). Defining the responsibilities of different levels of government in terms of managing public land (including the maintenance and protection of natural resources and public infrastructure) would be a first step that should be followed by a thorough inventorying of state land, and the establishment of transparent administrative processes at all levels for granting, selling, and leasing of state lands. The use of government land by state actors can suppress private sector participation in the land market through unfair competition. This occurs particularly when a single Agency of the State enjoys both regulatory and development powers, as well as when the State subsidizes its land development and housing production by charging only nominally, if at all, for the cost of land and development expenses.

Strictly circumscribe conditions for the expropriation of land: The government's far-reaching ability to expropriate land with real compensation often far below market rates has often caused great hardship to former land owners, when land is being transferred from agricultural to non-agricultural or urban uses, which is a corollary of economic development. This has often undermined tenure security in much of the developing world, and negatively impacted investment. This also leads to informal sales in anticipation of expropriation that invites corruption and shady property deals involving state agencies. It also, especially in Sub Saharan Africa, leads to large scale informality as customary owners sell off their land at market prices. Productivity is often impaired as the state apparatus had often neither the means nor the incentives to invest in, or effectively use, the land acquired, thereby often leaving the potentially most valuable land undeveloped. In Ghana about 40% of urban and peri-urban land is estimated to be controlled by the state and in China, millions of hectares have been converted without any direct investment being realized on them. Constraining expropriation to cases where a narrowly defined public purpose is at stake, while allowing land owners or users to negotiate directly with interested parties in the remainder of the cases (with the possibility to draw on mediation if needed), can eliminate a key source of uncertainty and corruption.

Transfer control rights to non-state actors: Numerous examples indicate that, even where public land ownership is justified or desirable, providing full and transferable use rights to individuals or groups, subject to them meeting certain minimum standards, can greatly enhance the efficiency of land use. While design and implementation of such mechanisms will require attention to local detail, there is considerable experience which can be drawn upon.

4. Conclusion and next steps

While the above provides general guidelines that need to be translated into local realities by actors in the countries of interest, there are a number of areas where joint action by development partners can provide significant benefits. The work of the Global Land Tool Network has already demonstrated that a more comprehensive approach to the land sector at the global level delivers results more efficiently and effectively, especially in regard to the (i) development of technical tools to tackle land issues, together with the promotion of a better understanding of the complexity of land issues; (ii) establishment of a set of internationally comparable land policy and administration indicators; (iii) rigorous impact evaluation of specific interventions; (iv) establishing the necessary administrative and analytical capacity at the local level; (v) policy dialogue.

Technical tools: Although there is now considerable awareness of the importance of property rights for the poor and excluded, failure to appreciate the historical roots, complexity, and political nature of the underlying issues can give rise to recommendations that not only fail to do justice to the topic but also will likely be unsustainable.

Capacity building: Given the context-specificity and politically sensitive nature of land issues, there is a significant need for capacity building also to ensure that land administration services are accessible to the majority of the population. Capacity building is needed on the technical and analytical levels, for the public sector as well as other non state actors that can be mobilized to strengthen property rights for the legal empowerment of the poor.

Impact evaluation: Although there is by now a wide array of initiatives in the area of land policy, there is a shortage of rigorous evaluations of their impact. This is true even for the case of land titling, arguably one of the least complex interventions in this area. As a consequence, there is little quantification of benefits from such interventions compared to others, that would allow prioritizing and integration into country strategies. The lack of evaluations also implies that little is known about trade-offs or interactions between different interventions (e.g. access to services or infrastructure as compared to, or jointly, with stronger property rights). This often makes it difficult to argue for a more prominent place for such interventions in country strategies, especially when these require hard political decisions that may be opposed by powerful interest groups. Moreover, there is little guidance about the ways in which such interventions should be implemented, or complementary measures needed, to enhance their impact on poverty reduction and growth. Such an evaluation framework is a clear global public good with benefits well beyond the countries where it is conducted originally.

Define and start to collect cross-country land policy indicators: Although the importance is widely recognized, it is often difficult to integrate land rights into the policy dialogue or to demonstrate the seriousness of an issue due to the lack of comparable indicators. Experience in other sectors has shown that defining a simple set of indicators, some of which could be generated by the land administration system on a routine basis, could make it much easier to steer the policy dialogue towards critical issues and at the same time to measure progress over time. Such indicators should include (i) coverage and accessibility of the system (potential and actual); (ii) cost-effectiveness of service provision; (iii) extent to which government holds or acquires land rights and the way in which these rights are exercised; (iv) ways to access land through market and non-market channels and (v) include both land administration and governance.

Policy dialogue: To sum up, the ‘new’ issues of rising commodity prices, biofuels, and climate change raised at the outset of this paper put the land community in a very particular situation. Unless we expand the remit of land policy and administration to go beyond individual titling and include tenure security and management of communal lands, and unless we are able to deliver at a much larger scale and speed than we have been doing traditionally, these forces could well lead to massive appropriation of land by outside investors with little benefits for local populations but instead increased inequality and polarization. At the same time, if rapid development and implementation of appropriate tools can be combined with policy dialogue at national and international levels (e.g. in the regulatory framework for the ability to benefit from carbon trading schemes), it could end up as a catalyst that would bring land issues to the attention of Ministries of Finance rather than only Land, thus sending a strong signal that giving secure tenure to local communities (who can then negotiate with outside investors) can bring social and economic benefits. Your support for getting this message out will be most appreciated.

References:

- Banerjee, A. and L. Iyer. 2005. "History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India." *American Economic Review* 95 (4): 1190-213.
- Bardhan, P. and D. Mookherjee. 2006. "Land Reform, Decentralized Governance, and Rural Development in West Bengal." . Stanford, CA: Paper prepared for the Stanford Center for International Development Conference on Challenges of Economic Policy Reform in Asia, May 31–June 3 2006.
- Bird, R. M. 2004. *International handbook of land and property taxation* Cheltenham, U.K. and Northampton, Mass.: Elgar.
- Cain, M. 1981. "Risk and Insurance: Perspectives on Fertility and Agrarian Change in India and Bangladesh." *Population and Development Review* 7 (3): 435-74.
- Deininger, K. 2003. *Land Policies for Growth and Poverty Reduction. A World Bank Policy Research Report*. Oxford and New York: World Bank and Oxford University Press.
- Deininger, K., D. Ayalew, S. Holden, and J. Zevenbergen. 2007a. "Rural land certification in Ethiopia: Process, initial impact, and implications for other African countries." World Bank Policy Research Working Paper. Washington DC: World Bank.
- Deininger, K., D. Ayalew, and T. Yamano. 2006. "Legal knowledge and economic development: The case of land rights in Uganda." World Bank Policy Research Working Paper 3868. Washington DC: World Bank.
- Deininger, K. and J. S. Chamorro. 2004. "Investment and Income Effects of Land Regularization: The Case of Nicaragua." *Agricultural Economics* 30 (2): 101-16.
- Deininger, K. and S. Jin. 2006a. "Does tenure security affect land market outcomes: Evidence from Vietnam." World Bank Policy Research Working Paper. Washington DC: World Bank.
- Deininger, K. and S. Jin. 2006b. "Productivity and equity effects of rental markets: Evidence from China." Policy Research Working Paper. Washington: The World Bank.
- Deininger, K. and S. Jin. 2007. "Land Sales and Rental Markets in Transition: Evidence from Rural Vietnam." *Oxford Bulletin of Economics and Statistics* forthcoming.
- Deininger, K., S. Jin, and H. K. Nagarajan. 2007b. "Determinants and consequences of land sales market participation: Panel evidence from India." World Bank Policy Research Working Paper. Washington DC: World Bank.
- Deininger, K., S. Jin and H. K. Nagarajan. 2007c. "Efficiency and equity impacts of rural land market restrictions: Evidence from India." *European Economic Review* forthcoming.
- Goldstein, M. and C. Udry. 2006. "The profits of power: Land rights and agricultural investment in Ghana." Economic Growth Center Working Paper 929. New Haven, CT: Yale University.
- Government of Kenya. 2004. "Report of the Commission of Inquiry into the Illegal/Irregular Allocation of Public Land." . Nairobi: Government Printer.
- Kranton, R. E. and A. V. Swamy. 1999. "The Hazards of Piecemeal Reform: British Civil Courts and the Credit Market in Colonial India." *Journal of Development Economics* 58 (1): 1-24.

- Lobo, A. and S. Balakrishnan. 2002. "Report card on service of bhoomi kiosks: An assessment of benefits by users of the computerized land records system in Karnataka." Working Paper. Bangalore: Public Affairs Centre.
- Macours, K., A. de Janvry, and E. Sadoulet. 2004. "Insecurity of Property Rights and Matching in the Tenancy Market." Working Paper 992. Berkeley: Department of Agricultural & Resource Economics, UC Berkeley.
- Nugent, J. B. and J. A. Robinson. 2002. "Are Endowments Fate?" CEPR Working Paper 3206. London.
- Raju, K., K. Akella, and K. Deininger. 2006. "New opportunities to increase land access in India: The example of Andhra Pradesh." . New Delhi: Paper presented at the MoRD/World Bank workshop on "Land Policies for Accelerated Growth and Poverty Reduction in India", Jan. 5 and 6, 2006.
- Transparency International India. 2005. "India corruption study 2005." . New Delhi: Transparency International.
- Udry, C. 1996. "Gender, Agricultural Production, and the Theory of the Household." *Journal of Political Economy* 104 (5): 1010-46.
- Vranken, L. and J. Swinnen. 2006. "Land rental markets in transition: Theory and evidence from Hungary." *World Development* 34 (3): 481-500.