

IDA AT WORK

Land Policy: Securing Rights to Reduce Poverty and Promote Growth

Land and property are usually the most important physical assets for poor households. In low-income countries served by the World Bank's International Development Association (IDA), land reform is an important part of IDA's overall effort to address poverty and growth constraints, foster better environmental management, and promote gender equality. It also helps societies rebuild after conflicts and natural disasters, such as in Sri Lanka and Aceh, Indonesia. Global experience shows that interventions to improve security, access, and transferability of land increase the value of household assets, generate higher levels of investment and agricultural productivity, and facilitate access to credit.

The land sector represents only a small share of IDA lending, but it is an area where IDA excels in supporting key policy and institutional changes by its clients, by bringing attention to an issue that impedes development in general and rural poverty reduction in particular. IDA is working to translate this analysis into project support to clients who are ready to undertake reforms. However, the land sector is typically fraught with vested interest groups resistant to policy and institutional change. For this reason, achieving reform requires long-term engagement, making it an area few development assistance organizations have traditionally been interested in supporting. IDA has changed this by putting land squarely onto the global development agenda through the force of its analytical work and convening power, its willingness to invest for the long term, and the use of successful approaches from middle-income countries to spur activities in low-income contexts.



SECTOR STRATEGY

A relatively recent field

IDA lending in land issues started roughly 10 years ago, with growth since 2000 that represents the fruition of analytical and policy engagements dating to the late 1980s. As the analytical understanding of global land issues

has deepened, largely through the Bank's leadership, governments have increasingly sought projects in the sector and an array of partner institutions have sprung into action to serve this demand, including many bilateral donors, FAO, UN-Habitat, the International Land Coalition, and now also the Commission on Legal Empowerment of the Poor.

Land sector work is still in early operational phases in most IDA countries, providing models for different promising approaches. IDA-funded land sector projects in Lao PDR, Cambodia, Indonesia, Moldova, Kyrgyzstan, Armenia, Nicaragua, Honduras, Bolivia, Tanzania, Uganda, Côte d'Ivoire, Mauritania, Ghana, Malawi, Sri Lanka, and India have all generated major interventions or policy dialogues. These projects are providing models for strengthening property rights and improving households' security of tenure, making land markets function better, reducing the time and cost of land transactions, improving land access, and making improvements in governance and conflict resolution.

Two principles of land policy stand out in the quest for growth and poverty reduction:

1. The importance of tenure security. Security of property rights and the ability to draw on local or national authorities to enforce those rights are key to increasing incentives for investment and for productive land use. A wide range of options, from full formal

title to legally-backed mechanisms at the community level, can result in higher levels of tenure security. Worldwide studies have shown significant increases in the land values of plots with more secure tenure. Measures to improve tenure security can also: improve the welfare of the poor who may have to spend large amounts to "informally" secure rights; reduce the scope for manipulation (often by state representatives) and conflict; and improve incentives for investment and resource conservation.

Given the fundamental role of secure land tenure, programs to make land rights more secure have long formed a major thrust of IDA interventions in this area, accounting for the largest share of resources spent in IDA's land portfolio.

2. Transferability of rights and land access. Improvement of tenure security provides direct benefits only to those who have access to land. Making land rights transferable not only further increases investment incentives but also allows the landless to access land

A Strong Analytical Base

To respond to demands for guidance by policy-makers and staff, the Bank in collaboration with development partners produced a 2003 report on *Land Policies For Growth And Poverty Reduction*. It drew on a comprehensive review of the global experience with land rights and involved consultation with over 800 participants.

The report set out the relationship between property rights, land markets, land distribution, and the broader challenges of growth and poverty reduction. It showed that irrespective of important societal differences in landholding structures, secure tenure and clear property rights (whether individual or collective) are associated with higher property values, higher levels of investment, improved agricultural productivity, and easier access to credit. The report also showed the importance of well-functioning land markets for providing access to productive land assets for the poor.

It also reviewed the global experience of land reform, demonstrating the logic for intervention in cases where highly concentrated and exclusionary land distribution creates a poverty/low-growth trap. Most land projects over the last 10 years have sought to put into operational practice the policy principles that the report set out, and they are demonstrating important outcomes for growth and poverty reduction.

through sales and rental markets or through public transfers.

Furthermore, transferability that is combined with formal title allows using land as collateral for credit when credit markets are sufficiently developed. Transferability is particularly important in dynamic environments to bring about changes in land use and allow households to shift from agriculture to non-agricultural occupations. Studies show that land rental improves efficiency and equity in many settings. There are fewer opportunities for land sales, but in many circumstances “thinner” land sales markets enable the poor to gain access to land.

Based on this research, IDA is assisting countries to realize the full benefits that can accrue from rental markets by ensuring that tenure security is high enough to facilitate long-term contracts and by eliminating unjustified restrictions on the operation of such markets.

In some countries, particularly in Latin America, severe inequality in the distribution of land ownership often goes hand-in-hand with under-utilization of vast tracts of productive land and deep-rooted rural poverty. For a variety of reasons, existing markets are often unable to bring about the changes required to attain an optimum structure of production. In these cases increased access to land by the poor can potentially increase productivity. Also, as land is often intertwined with social exclusion and acts as a social safety net, increased access to land can also promote equality of opportunity. The Bank is exploring ways to use market-based mechanisms to transfer land to poor beneficiaries in a number of IDA countries such as Malawi, Honduras, and Bolivia.

RESULTS

The land sector projects discussed below have resulted in secure legal land rights for a spectrum of income groups, fostering growth and poverty reduction.

The Armenia Title Registration Project (US\$8 million credit) has successfully promoted private sector development by implementing a transparent, parcel-based, easily accessible, and reliable registration system for land and other immovable property. The state registry system now has 47 fully functioning Information and Registration Centers throughout the country. **Almost all of the country's 2.5 million privately owned land parcels and buildings have been surveyed.** Just over 1 million property records have been stored in the central database. The reforms have played a fundamental enabling role in the resurgence of the economy's two leading sectors: agriculture and construction.

Real estate market growth is now rapid, more than doubling since the end of the long slump of 1998-2000. If the growth rates of the past three years are sustained, the active market will exceed the five percent mark in 2008, a measure considered very active by international comparisons. Project impact is also clear in terms of the use of immovable property as collateral and the decline in the real cost of borrowing. Registered mortgages rose 38 percent in 2002 and 48 percent in 2003.

The Kyrgyz Republic Land and Real Estate Registration Project (US\$10 million credit) supports the development of markets for land and real estate for more intensive and effective use by introducing reliable property rights registration. The primary beneficiaries of this

project have ranged from private farmers to small- and medium-sized enterprises and urban property owners. Under the project, **virtually all real estate units in settlement areas (i.e., parcels with buildings) have been entered into the state registry**—almost 1.2 million units in total, including about 600,000 units that have been regularized. Outside of the settlement areas (that is, parcels without buildings), over 570,000 parcels had been entered into the registry on a systematic basis as of June 2006.

There are also a significant number of ongoing transactions. During 2006 alone there were some 43,000 mortgages (worth US\$724 million) and almost 40,000 sales recorded in the state register (compared to 15,000 mortgages and 26,000 sales four years earlier). A midterm social assessment showed broad beneficiary support for the increased security of tenure provided by the project, and increasing access to credit.

The Honduras Access to Land Pilot Project (Spanish acronym PACTA; IDA credit US\$8 million) is demonstrating how land market imperfections can be overcome to achieve improved land access through market channels. As a pilot program, PACTA demonstrates a public-private partnership strategy where private sector lending institutions provide funds to purchase land and the project provides public financing for complementary investments and technical assistance to improve the productivity of the newly acquired properties. The targets of the pilot phase have been achieved and surpassed. **About 1,600 farm families are now participating in local land markets and have established sustainable farm enterprises.**

One of the main successes of PACTA is the good quality of the loan portfolio for land purchase which, on average, has a default rate of less than 5 percent. Many households have paid off their debts ahead of schedule. Beneficiary incomes have increased through improved land productivity and output in project sites. On average, the annual income of the participating households has increased by 230 percent (from US\$600 to US\$1,400). PACTA is working to institutionalize and expand the program, a hoped-for deliverable from the pilot phase.

The Malawi Community Based Rural Land Development Project (US\$27 million IDA grant) builds on the new land policy adopted by the country in 2002 with IDA support. The project seeks to increase the incomes of about 15,000 poor rural families by implementing a decentralized community-based approach to land acquisition and farm development in four districts. By October 2006, 2,948 families (123 beneficiary groups) were settled on 4,062 hectares of land that they had acquired. Some 550 subprojects for productive and social investments on the acquired lands have been received, of which 133 have been approved so far. **After relocation to the acquired lands, gross margins per hectare have risen ten-fold for hybrid maize from the pre-relocation baseline.**

The Ghana Land Administration Project (US\$20 million IDA credit) also demonstrates the efficacy of IDA-supported operational work in helping a country work through a complicated legacy of traditional and colonial land administrations that have led to under-investment and disputes. The changes already enacted have resulted in reduction

of turn-around time of transactions. Transaction costs and processes in the registration of deeds have become less cumbersome with reports of significant reductions in rent-seeking behavior.

Most important, the project has fostered the inclusion of major stakeholders in policy making and decision-taking on land issues, particularly the recognized importance, roles, responsibilities, and rights of traditional and customary authority in lands administration functions and service delivery. **There has been an increase in registration by women (over 400 percent in the three northern regions from the base year 2003), an increase in revenue levels accruing to land sector agencies, and improved access to credit because of property documentation.**

The Sri Lanka North East Housing Reconstruction Program (US\$0.6 million credit for a land dispute resolution component) has facilitated the reconstruction of 31,200 houses in the North East region over a four-year period through the provision of housing support cash grants. In doing so, **it supports the return of displaced populations in the North East and the regularization of land title to targeted beneficiaries.** It contributes to the training of skilled construction workers, consequently allowing the resumption of economic activity in the war-devastated region through increased construction activity.

In its first 15 months, the project has implemented a rapid land dispute/regularization methodology to resolve all types of land tenure problems. The Land Task Force received some 90,000 grievances during its first 15 months of operation, for which it launched

inquiries into about two thirds and resolved about half, permitting issuance of title and clearing the way for rapid home reconstruction during the cease-fire period.

The Andhra Pradesh Rural Poverty Reduction Project Land Component (US\$12 million component) is demonstrating cost-effective results in facilitating land access for landless and nearly landless rural inhabitants. As of November 2006 the component had transferred 3,200 acres of high-quality irrigated farmland to 3,500 families, at a cost of approximately US\$2,000/family. **The project has also pioneered legal services to poor families to resolve existing land claims and prevent future problems.** While this project shows the effectiveness of IDA support for land access, a new study on *Land Policy for Growth* and the proposal of a new operation for land administration are opening new opportunities to address tenure security and land transferability.

IDA'S CONTRIBUTIONS

Lending.

IDA lending dedicated specifically to land administration has been growing from zero prior to 1995 to some US\$30 million per year in 1995-2000 and about US\$40 million per year in 2001-06. A growing pipeline of dedicated land administration project in IDA and blend (IDA/IBRD) countries is now under preparation, amounting to more than US\$300 million.

These amounts are still only a small share of total IDA lending, though. One reason is the nature of these projects: Focused typi-

cally on helping develop policies and build or strengthen institutional infrastructure, the average project size tends to be small in dollar terms. Another reason is that land administration has been more frequently addressed in projects that were not primarily dedicated to this “theme”; in fact, there have been as many as 77 such IDA projects since 1995.

Land components as secondary themes are playing critical enabling roles for achieving broader goals in rural development, irrigation, housing and urban services projects among others. Hence in total, there have been almost 100 IDA projects amounting to US\$5 billion that addressed land administration. Approximately half of this lending was in Sub-Saharan Africa and South Asia.

Dedicated land administration projects in particular have generated consistently strong outcomes. Among all completed IDA projects with land administration as the primary theme, the World Bank’s Independent Evaluation Group has found 95 percent to have satisfactory outcomes. This was the highest rating of all themes in IDA lending in the last 10-year period. The projects that addressed land administration as a non-primary theme

rated lower at 71 percent, but these ratings may reflect first of all the other components of these projects.

Interaction between lending and non-lending activities.

Land issues are deeply rooted in countries’ histories and are often politically sensitive. This implies that attempts to address them need to be solidly grounded in empirical research, often building on carefully evaluated pilots. The Bank’s strong analytical capacity and intellectual leadership has allowed operations to draw on cutting-edge research to show the importance of land issues for overall economic development. It has also helped countries formulate, and build consensus around, national strategies to deal with land in a prioritized and well-sequenced manner. In some cases, such as Ethiopia and India, demand for IDA’s analytical work is equal or greater than demand for IDA lending, and in most cases precedes significant lending.

Collaboration with partners.

Given the complexity and long-term nature of land related institutions, work on land would not be possible without strong partnerships with a wide range of academic, civil society, and development institutions. The Bank has been contributing to recent initiatives such as the High Level Commission for Legal Empowerment of the Poor, the Global Land Tools Network, and the International Land Coalition. It also collaborates closely with FAO, UNDP, IFAD, the EC, and several regional development banks, and is collaborating with the private sector through the International Federation of Surveyors, to organize regional workshops and capacity building events.

IDA Lending with Land Administration as a Theme			
Land Administration Theme Rating	No of Projects	IDA amount US\$ million	Thereof: AFR+SAR
First theme	20	795	507
Second or further theme	77	4,153	1,900
TOTAL	97	4,948	2,407

Source: ARD Lending database.

New demands and new approaches.

Several factors have driven IDA's success in the land sector, in a context of growing demand for land sector interventions and IDA's ability to tailor country-specific responses to it.

First, the 1990s and the first part of the 2000s witnessed the breakdown of state ownership and the rapid privatization of land in the former socialist world. This drove a need for land administration capacity in the Bank's Europe and Central Asia region.

Second, in East Asia and the Pacific, Sub-Saharan Africa, and Latin America and the Caribbean, there has been a new openness of political regimes to market-driven, private sector development including the rural sectors, a frustration with the lack of results in land reforms of the past, and a broader recognition of the role that land assets play for investment and productivity. Coupled with a recognition of conditions of market failures in land-concentrated contexts, this drove the land agenda forward in country dialogues facilitated by IDA's analytical assistance. This same process is now occurring in India and other parts of South Asia. The Bank invested heavily in policy dialogue and analytical work to guide interventions, and used an evolving global body of best practice to offer clients strategies for success. Consider for example the use of single agency models, systematic adjudication, and community-based land reform.

Key IDA strengths in this sector.

IDA operations have a unique set of advantages in a sector that requires intensive policy and analytical engagement as well as long-term partnerships.

The initial investment in land regularization activities is generally high and the returns on the investment accrue over long periods of time. This is due to the need for extensive mapping and parcel by parcel fieldwork establishing the nature of land rights. For low-income countries, these investments would often have been impossible without IDA credits. Investment in land distribution is also expensive and sensitive because of its targeted nature. IDA programming can make these investments financially feasible.

IDA's leadership and convening power among donors has also helped to forge consensus about land policy reforms in places with a complex mixture of actors and interests, such as Indonesia. Land sector interventions are long-term, with planning horizons of 20 years the norm. Few institutions are prepared like IDA to commit to this type of partnership. Finally, IDA's ability to raise the profile of land issues in national strategies linked to programmatic lending is a particular strength.

These strengths have allowed countries to overcome inertia and vested interests in order to make systemic changes in technology and coverage of land records which would otherwise not have happened.

Challenges encountered and lessons learned.

Land sector work in low-income countries faces many challenges. Policy and legal frameworks are often deficient, reflecting distortions from colonial or socialist pasts, or accommodations to armed conflicts, and prevent the establishment of clear property rights (individual or collective). Such deficiencies impede market-based transfers and

often facilitate the illicit transfer or control of public land by vested private interests. Public land institutions are generally weak technically, financially, and in terms of public accountability. Providing low-cost services and linkages to mortgage/long-term finance using land as collateral are further challenges.

The sector's challenges have been met by an approach which stresses high-quality intellectual engagement and research, heavy upfront investment in policy and legal reform (often through trust-funded grants, small Learning & Innovation credits, and pilot projects), long-term engagement through sequences of projects, and the evolution of a body of best practices in each region.

LOOKING AHEAD

The most general issue encountered and addressed over the last 15 years has been the recognition that titling or land regularization *per se* is not enough to achieve sustainable benefits from land sector interventions. The recognition has led over the last 6-7 years to incorporate a major emphasis on policy and legal development and institutional capacity strengthening, and to approach the land sector as a long-term engagement with 10-20 year horizons for achieving fundamental objectives.

More recently the land sector has recognized governance challenges embedded in land administration and taken steps such as user surveys and global performance standards to address them. IDA is joining forces with

partners to seek lower-cost technologies and services to ensure the coverage and sustainability of its work in the poorest areas.

Taking into account these lessons, the outlook for the sector specifically in IDA countries focuses increasingly on Africa and South Asia, where deep analytical engagement over the last 10 years is now translating into a new generation of operations with enormous potential for contributing to poverty reduction. In Latin America and the Caribbean region, land administration activities are expected to grow in areas of land access (Honduras, Bolivia), urban/peri-urban activity, and attention to indigenous and environmentally sensitive land areas (such as addressing enormous challenges in the Amazon Basin). The healthy portfolio in the East Asia and Pacific region is expected to grow. While the privatization of land in Eastern Europe and Central Asia is now largely completed, consolidating the new, private land sectors will require continued operational and analytical engagement.

Project pipeline.

There are currently 13 more projects dedicated land administration projects under preparation in IDA and blend (IDA/IBRD) countries. In addition to supporting the establishment of land administration infrastructure, some projects include measures to promote sustainable and productive use of land as well as policy reform or institutional restructuring.

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