The previous chapters demonstrated that even basic institutions such as land rights and land markets will be unable to operate without receiving support from the state in the form of public goods and a conducive policy environment, and that in environments where other factor markets do not work well, unfettered operation of land markets by themselves is unlikely to bring about a socially optimal outcome. This chapter reviews what this implies in terms of the government’s role to either establish the framework that will allow markets to function, to go beyond markets to ensure that social and equity concerns are satisfied, or to regulate markets so that externalities and other market failures are adequately accounted for. All these areas imply an important role for governments.

The chapter begins by reviewing the progress of and the remaining challenges for the tremendous restructuring of the farming sector in Eastern Europe and the CIS to lead to productivity-enhancing outcomes. Then, based on historical and more recent experience with land reform, it identifies and discusses a number of implications of productivity-enhancing land reforms. Next the chapter turns to conflict over land, based either on historical grievances or on increasing scarcity of productive land combined with limited off-farm opportunities, which is becoming increasingly relevant in many developing countries. Finally, it examines how governments can contribute to more effective land use by privatizing land where no rationale for government ownership exists, by taxing land to encourage its productive use and provide resources for the delivery of public goods and the functioning of local governments, and by land use regulations that maximize social benefits.
Restructuring the Farm Sector in CEE and CIS Countries

Over the last decade, the rural sector in virtually all the countries of Eastern Europe and the Commonwealth of Independent States (CIS) has undergone dramatic change in the context of the shift from a collective to a more individualized structure of land ownership characterized by greater responsiveness to market forces. In the countries affected by this transition, the main challenge is to establish the basic legal and institutional framework for the development of a diversified and productive rural sector, including the scope for well-functioning markets for outputs and inputs, land, and other factors of production. This section provides a background to the reforms, reviews progress in their implementation, and highlights challenges that transition countries may need to confront in the future to ensure that the expected improvements in productivity and household welfare materialize.

Background and the Reform Process

Prior to 1989 all these Central and Eastern European (CEE) and CIS countries were characterized by large-scale collective farming. Collectivization was imposed based on a belief in the superiority of large industrial farms and their apparent economies of scale and to gain access to capital, overcome imperfections in input and output markets, and provide other services to members in times of need. The evidence does not support the belief in the existence of economies of scale in agricultural production except for marketing and input access. In virtually all cases of collective agriculture, productive performance was dismal. Collectives in China, Cuba, Ethiopia, Nicaragua, Peru, and Vietnam suffered from incentive problems, absenteeism, underinvestment, tendencies toward discriminatory employment of nonmembers, and low productivity, even if compared with a smallholder sector that was discriminated against (Deininger 1995). In Nicaragua and Peru individualization ensued as soon as the possibility of doing so arose (Melmed-Sanjak and Carter 1991; Merlet and Pommier 2000), as also occurred in Ethiopia, where collectives were disbanded in the early 1990s (Rahmato 1993). The transition from collective to private models of cultivation has often been associated with large increases in productivity, as in China after the 1978 introduction of the household responsibility system (Lin 1992; McMillan, Whalley, and Zhu...
1989) and in Vietnam after the reforms of the early 1980s (Ravallion and van de Walle 2001; Tran 1998). Land reform and restructuring of the rural sector have therefore become a key part of the transformation of the rural sector in all CEE and CIS countries.

Individual countries’ responses to the challenge of transforming the land ownership structure and the consequences for productivity and household welfare differ widely. The adoption of vastly different processes has led to the emergence of variation in farming structures, productivity, development of rural factor markets, and poverty outcomes. The processes chosen to privatize land and restructure the agriculture sector were affected by such factors as the distribution of land ownership before collectivization, the status of ownership after collectivization, the length of communist rule, and the ethnicity of precollectivization owners (Lerman 2001; Macours and Swinnen 2000a). Collective structures were economically unviable long before the political changes of the 1990s. Nonetheless, they were more than just a means of production, in particular, they provided workers with a wide variety of social services. The fact that many employee-shareholders remain in collective structures rather than exercising their right to leave with land and property shares can be explained not only by the adverse economic environment and the risk this implies for private individual farming (Amelina 2000), but also by the fear of losing access to social services. Thus policies will have to take account of the fact that farm restructuring is not only about productivity, but also about ensuring the availability of key social services to the rural population and the provision of safety nets to accompany the process of structural reform.

Given the difficulty of establishing the legal and regulatory infrastructure for well-functioning markets, the initial impact of restructuring on production was almost universally negative. Price liberalization and subsidy cuts together caused a decline in relative prices for agriculture, contributing to almost half of the observed decline in agricultural output and to the necessary adjustment in the overall size of the agriculture sector. The uncertainty associated with transition and with climatic factors caused an average output fall of around 10 percent each, and the disruption associated with privatization, farm restructuring, and the need to adjust both factors of production and techniques account for the remainder of the drop in output (Macours and Swinnen 2000b). The breakup of large farms into small units was not necessarily a major source of output decline, as illustrated by the performance of Albania, which despite breaking up its collective sector achieved the highest rate of output growth of all the CEE and CIS countries following transition (Cungu and Swinnen 1999).
Restitution was adopted mainly in CEE countries

The ensuing fragmentation of land ownership increases the importance of land markets

Modalities of Restructuring

The CEE countries all allow full private ownership of all types of land and have generally privatized land by restituting it to its former owners in the form of physical plots (table 4.1). The exceptions are Hungary and Romania, which pursued mixed strategies whereby land was restituted to former owners, but a portion of it was also distributed to agricultural workers in the interests of social equity.\(^1\) Poland is selling off state-owned land, while Albania has pursued a strategy based on full redistribution of land to cultivators.

The availability of old ownership records and the presence of a clear legal basis for assessing their validity has generally made restitution easier to implement than in countries where records were destroyed or where the legal basis remains unclear, such as Nicaragua. Nevertheless, the processes have often been lengthy and complicated.\(^2\) For example, in Estonia, in marked contrast to the rapid privatization of assets, land restitution is a slow and cumbersome process. About 75 percent of land remains under state ownership and is leased out on short-term leases, something that is not conducive to bringing about the structural transformation needed (Csaki, Valdes, and Fock 1998). Bulgaria has amended its restitution law at least 20 times since its promulgation in 1991 (Giovarelli and others 2002), and in Russia, from the first draft to the actual passage of a law on agricultural land turnover took more than six years (Overchuk 2002). Also Davidova and others (2001) cite the continuing uncertainty about land claims associated with the restitution process as a main reason for the insufficient development of land sales markets and of the supply of credit to rural areas. The fact that restitution is difficult is consistent with experience from other countries such as South Africa, where only a recent radical simplification of the process has helped speed it up and ensure that uncertainty regarding land ownership is resolved quickly.

In a hypothetical situation with perfect functioning of land rental and sales markets, the restitution of land to its former owners in many of the CEE countries, which was adopted mainly for political reasons, should not affect productive outcomes. Instead, one would expect entrepreneurs to initially rent and eventually possibly buy the land they require to advance their activities. However, many of the factors discussed earlier, in particular, insecurity about land rights because of changing legal frameworks and because of bureaucratic inertia and discretion even in cases where the legal provisions were clear, have initially
<table>
<thead>
<tr>
<th>Region and country</th>
<th>Potential private ownership</th>
<th>Privatization strategy</th>
<th>Allocation strategy</th>
<th>Transferability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>All land</td>
<td>Distribution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>All land</td>
<td>Restitution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>All land</td>
<td>Restitution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Estonia</td>
<td>All land</td>
<td>Restitution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Hungary</td>
<td>All land</td>
<td>Restitution and distribution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Latvia</td>
<td>All land</td>
<td>Restitution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Lithuania</td>
<td>All land</td>
<td>Restitution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Poland</td>
<td>All land</td>
<td>Sale of state land</td>
<td>None</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Romania</td>
<td>All land</td>
<td>Restitution and distribution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Slovakia</td>
<td>All land</td>
<td>Restitution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td><strong>CIS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>All land</td>
<td>Distribution</td>
<td>Plots</td>
<td>Buy and sell, leasing</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>All land</td>
<td>Distribution</td>
<td>Plots (from shares)</td>
<td>Buy and sell, leasing Use rights nontransferable; buy and sell dubious</td>
</tr>
<tr>
<td>Belarus</td>
<td>Household plots only</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>All land</td>
<td>Distribution</td>
<td>Plots</td>
<td>Buy and sell, leasing Use rights transferable, buy and sell of plots dubious</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Household plots only</td>
<td>Distribution</td>
<td>Shares</td>
<td></td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>All land</td>
<td>Distribution and conversion</td>
<td>Shares</td>
<td>Five year moratorium</td>
</tr>
<tr>
<td>Moldova</td>
<td>All land</td>
<td>Distribution</td>
<td>Plots (from shares)</td>
<td>Buy and sell, leasing Leasing, buy and sell dubious</td>
</tr>
<tr>
<td>Russia</td>
<td>All land</td>
<td>Distribution</td>
<td>Shares</td>
<td></td>
</tr>
<tr>
<td>Tajikistan</td>
<td>None</td>
<td>None</td>
<td>Shares</td>
<td>Use rights transferable Use rights nontransferable</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>All land</td>
<td>None, virgin land</td>
<td>Intra-farm leasehold</td>
<td></td>
</tr>
<tr>
<td>Ukraine</td>
<td>All land</td>
<td>Distribution</td>
<td>Shares</td>
<td>Leasing, buy and sell dubious</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>None</td>
<td>None</td>
<td>Intra-farm leasehold</td>
<td>Use rights nontransferable</td>
</tr>
</tbody>
</table>

Source: Adapted from Csaki, Feder, and Lerman (2002).
Redistribution was adopted mainly in the CIS

Land redistribution provided a safety net during transition

limited the scope for such markets in a number of countries. At the same time clear differences are beginning to emerge across countries in the extent to which markets function.

CIS countries are characterized by greater variation than CEE countries concerning the recognition of private ownership rights (table 4.1), the process of farmland privatization, and the transferability of such land. Some countries, such as Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Russia, Turkmenistan, and Ukraine, allow citizens to hold private property rights to all types of land. Others, for example, Tajikistan and Uzbekistan, do not recognize private ownership rights, while Belarus and Kazakhstan recognize rights to household plots only. In addition to providing an important safety net, these plots have historically accounted for more than one-third of recorded production.

Table 4.2 shows the tremendous transformation, at least in quantitative terms, that within a decade increased the share of land operated individually in CEE from 21 percent in 1990 to 78 percent in 2000, transferring a total of about 33 million hectares from collective to individual ownership and management. Albania, Latvia, and Slovenia transferred significantly more than 90 percent of their agricultural areas, whereas other countries are still left with significant levels of state ownership. The corresponding figures are lower for CIS countries, where individually operated land increased from 4 percent in 1990 to 22 percent in 2000. Even in this group, only Belarus, Russia, and Turkmenistan had less than one-fifth of their land area under individual control in 2000, and given their physical size, the absolute amount of land transferred into private operation was large by any historical measure (Deininger 2002). Despite the partial character of the reforms, the total amount of land transferred into private ownership in the CIS countries during the last decade is larger than Mexico’s land reform, which lasted almost a century (1917-92) and transferred about 100 million hectares to the “social sector.” It was also larger than Brazil’s 30-year land reform effort, which transferred about 11 million hectares, much of it in frontier areas, and the successful land reform in Japan, which involved the transfer of 2 million hectares, compared with 0.5 and 0.2 million hectares, respectively, in Korea and Taiwan (China).

The experience with land privatization followed two different modalities. The first was practiced by “radical reformers” such as Armenia, Georgia, Moldova, and to some extent Azerbaijan and the Kyrgyz Republic, where land was distributed very broadly. In many of these settings land makes an important contribution to households’ subsis-
tence, and the broad distribution has often been credited with helping to avoid destitution during the transition. In the future, as the broader economy develops, the challenge will be to link these producers to markets and to provide mechanisms for voluntary consolidation. Under a second modality, followed by a much larger group of countries, land has been privatized by giving households land shares that entitle them to a parcel of land that is not physically identified and that in most cases

Table 4.2 Share of land held privately, selected CEE and CIS countries, 1990 and 2000

<table>
<thead>
<tr>
<th>Region and country</th>
<th>Agricultural area (millions of hectares)</th>
<th>Percentage of individually owned land</th>
<th>Land transferred to private ownership (millions of hectares)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>1.1</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.5</td>
<td>92</td>
<td>96</td>
</tr>
<tr>
<td>Poland</td>
<td>18.4</td>
<td>77</td>
<td>82</td>
</tr>
<tr>
<td>Romania</td>
<td>14.8</td>
<td>12</td>
<td>67</td>
</tr>
<tr>
<td>Hungary</td>
<td>5.9</td>
<td>6</td>
<td>54</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>6.2</td>
<td>13</td>
<td>96</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>4.3</td>
<td>5</td>
<td>80</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>4.9</td>
<td>5</td>
<td>99</td>
</tr>
<tr>
<td>Latvia</td>
<td>2.4</td>
<td>5</td>
<td>95</td>
</tr>
<tr>
<td>Lithuania</td>
<td>3.5</td>
<td>9</td>
<td>67</td>
</tr>
<tr>
<td>Estonia</td>
<td>4.5</td>
<td>6</td>
<td>65</td>
</tr>
<tr>
<td>Average CEE</td>
<td>66.6</td>
<td>21</td>
<td>78</td>
</tr>
<tr>
<td><strong>CIS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>1.4</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Georgia</td>
<td>3.0</td>
<td>7</td>
<td>26+25</td>
</tr>
<tr>
<td>Ukraine</td>
<td>43.0</td>
<td>7</td>
<td>26</td>
</tr>
<tr>
<td>Moldova</td>
<td>2.3</td>
<td>9</td>
<td>84</td>
</tr>
<tr>
<td>Belarus</td>
<td>9.4</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Russia</td>
<td>195.0</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>11.0</td>
<td>1</td>
<td>23</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>222.0</td>
<td>—</td>
<td>29</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>4.4</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>1.1</td>
<td>2</td>
<td>38</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>26.7</td>
<td>2</td>
<td>28</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>40.3</td>
<td>—</td>
<td>16</td>
</tr>
<tr>
<td>Average CIS</td>
<td>558.6</td>
<td>4</td>
<td>22</td>
</tr>
</tbody>
</table>

— Negligible (0.2).

a. Figure refers to 1997.

b. Refers to leasing by households and by private enterprises.

Sources: Csaki and Krzy (2001); Csaki and Nucifora (2002).
Land shares allowed quick privatization, but often did not lead to the restructuring of productive units. Because shares do not correspond to actual land parcels, privatization often made little difference to the way enterprises were actually run (Lerman 2001). Whether and how such shares can be transformed into actual parcels differs by country, but is critical for the extent to which privatization will result in actual changes in production practices and the operational structure. Moreover, in cases where land shares have been contributed to the capital of the restructured collective enterprises, the danger is that if an enterprise becomes bankrupt, land share owners may lose all their assets to new, large-scale landowners, often the former collective farm managers, who enjoy preferential access to markets (Csaki and Nucifora 2002). This is the case in some countries that issued notional land use rights and asset ownership certificates to farm workers, who either had to convert their land share rights into land parcels to start private farms or contribute them to the capital of the collective enterprise. Not surprisingly, in view of prevailing market imperfections and extremely risky environments, most farmers opted for the latter.

Russia illustrates the process as well as the outcomes. Out of an estimated total of 195 million hectares of agricultural land, by 2000 the state had transferred 126 million hectares, or 65 percent of the total, into private ownership. Of these 126 million hectares, 118 million hectares (an area comparable to the size of continental Western Europe) were privatized by issuing land shares to some 12 million agricultural workers, retired agricultural workers, teachers, health care professionals, and other “social sphere” workers, while the remaining land was privatized through land transfers for the creation of private farms and for use as household plots. However, most of this land is held by agricultural enterprises that, in practice, operate in a way that is similar to their predecessor collectives. Farms that are truly privately operated account for only 6 to 7 percent of the agricultural land (with household plots making up another 6 percent). Similarly, in Ukraine 84 percent of the landowners rented their land share certificates to the farms from which the certificates were issued (Rolfes 2002). This implies that in many CIS countries, little actual restructuring of the productive structure has yet been accomplished.

The decline in output that characterized the initial phase of transition has been reversed in most CEE, and even CIS, countries. In addition to increases in total output, there are clear signs of expansion by more profitable farm enterprises and contraction of loss-making farm enterprises.
(Uzun 2002; Yanbykh 2002). Nevertheless, much remains to be done to improve productivity in the rural sector. With hindsight, initial beliefs that privatization would lead to the rapid establishment of a family farming structure were too simplistic and unrealistic given the slow progress in improving the functioning of other rural markets (Gardner and Serova 2002). While the restrictions on land rights and their transferability made it more difficult for individuals to take the risk of establishing private farms, they were only one among many factors. This does not imply that restructured collectives or corporate large farms will remain the mainstay of the rural structure, and large farms may eventually give way to a diversified farm sector that entails family farms as well as corporate farms and partnerships.

**Challenges Ahead**

Land shares were often used as a way to “privatize” land in an egalitarian way with minimal political resistance. However, the continued inability to link land shares to actual parcels in many countries has made it difficult for holders of these shares to use the parcels directly or to make any decisions about their management. Field studies show that resistance from local bureaucracies and opposition from the management of large agricultural enterprises, together with the difficulty of obtaining startup capital or access to machinery, make claiming land difficult even in situations where the legal possibility of taking land shares out of the collective is well defined. While any procedures chosen to link land shares with actual parcels will have to take the specifics of the local situation into account, a number of countries have developed and tested procedures that could serve as a model for others.

The earlier discussion implies that to achieve optimal social and productive outcomes, well-functioning markets for credit and other factors of production are critical; however, such markets do not emerge automatically, but require a high level of institutional and legal infrastructure that is still lacking in many of the transition countries. Experience shows that implementing a program of land reform that will not only redistribute land, but will also improve participants’ welfare, requires paying attention to a host of other factors. Given the complexity of the task and the differences across countries, and even situations within countries, carefully evaluating the emerging experience and trying to use the lessons to provide a framework that can make an effective contribution
to beneficiary welfare will be critical, rather than insisting on a patent approach for ideological reasons. Even in CEE, large areas remain under state ownership. Reducing transaction costs, including complex bureaucratic proceedings; imposing hard budget constraints and bankruptcy proceedings; and establishing mortgage legislation could help deal with this problem and improve both efficiency and access to land and help develop the financial sector.

One implication is that the opportunity for increasing agricultural productivity and rural welfare will depend not only on improving the functioning of land, but also on other factor markets in rural areas. Progress in this regard is not only uneven across countries, but strongly affects the extent to which land market liberalization can either be achieved or can contribute to rural growth. For example, in Uzbekistan the fact that controls on output and input decisions remained strong and that outputs were heavily taxed clearly limited the incentives of private producers to exit collectives, and thus whatever gains could have been realized from the limited privatization of land rights (Pomfret 2000).

In addition to measures such as improving governance and accountability at the local level and providing infrastructure, creating an environment where service cooperatives, as distinct from production collectives, could provide access to markets, credit, information, bargaining, and insurance, despite farmers’ suspicions of “collective” institutions, would be important. Farmers’ associations are widespread in Romania and other CEE countries. In Azerbaijan farmers seek out opportunities to establish farmers’ associations for marketing (Csaki and Nucifora 2002). Creating an array of service cooperatives and providing startup capital and links to extension services, market information, and credit could offer considerable opportunities in such an environment, as has been demonstrated in a number of countries (Lerman, Csaki, and Moroz 1998).

Unless an appropriate policy framework is in place, encouraging land transfers may have negative equity and efficiency consequences. Countries where the land rights that private farms can obtain are inferior to those granted to state farms, or where the leases given to landowners are too short to provide investment incentives and carry numerous restrictions limiting the security of tenure enjoyed by individuals, will have to undertake further legal reforms (Duncan 2000; Lerman and Brooks 2001; Pomfret 2000). In this context, privatizing land in the form of paper shares can, at best, only be a first step in a process of structural transformation that would include attention to
Enhancing Land Access through Land Reform

Earlier discussion pointed out that the extremely unequal and often inefficient distribution of land ownership observed in many developing countries was in most cases the outcomes of power relationships and distortionary policies rather than market forces. The analysis of these phenomena also indicates that in many of these situations one cannot expect markets alone to lead to land redistribution at the rate that would be required to maximize efficiency and welfare outcomes. This can provide a justification for support to land redistribution both on grounds of productive efficiency and of the wider social impact of extreme inequality in the distribution of productive assets. This section reviews the justification for such intervention and highlights some of the key issues that need to be addressed before reviewing the status of land reform in different regions and drawing some conclusions for policy.

Historical Evidence

As noted earlier, rapid transition from landlord estates to family farms has led to stable systems of production relations, because the organization of production remained essentially the same family farm system. By contrast, the reform of hacienda systems, that is, systems where tenants had a small household plot for subsistence but worked on the landlord’s home farm for most of the time, has been difficult to the point that observers have declared the “game of Latin American land reform” to be lost (de Janvry and Sadoulet 1989). In most of these systems large landowners responded to the threat of land reform by reducing their reliance on hired workers or tenants who could have made claims to
land ownership under a possible reform program (Diaz 2000; Horowitz 1993). They either resorted to extensive livestock production and ranching or, aided by significant credit subsidies, shifted to highly mechanized self-cultivation (Binswanger, Deininger, and Feder 1995). Former workers often joined the ranks of the landless, and in many cases the reforms made them worse off rather than better off. Table 4.3 presents a historical summary of land reforms.

Experience in Asia, but also in Africa and, to a lesser extent, in Latin America, illustrates that land reform can significantly improve household well-being. Land reforms in Japan, Korea, and Taiwan (China), all of which were accomplished under external pressure, have helped improve welfare, and often also productivity. Korea’s land reform is anchored in its constitution, which imposes a land ownership ceiling of about 2.7 hectares per individual. In this context, large amounts of land

Table 4.3  Extent and characteristics of land reforms, selected economies and years

<table>
<thead>
<tr>
<th>Country</th>
<th>Area (thousands of hectares)</th>
<th>Percentage of arable land</th>
<th>Beneficiary households</th>
<th>Average area per household (hectares)</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total area</td>
<td>Percentage of arable land</td>
<td>Number (thousands)</td>
<td>Percentage of rural households</td>
<td></td>
</tr>
<tr>
<td><strong>Africa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>390</td>
<td>15.4</td>
<td>438</td>
<td>10.0</td>
<td>0.89</td>
</tr>
<tr>
<td>Kenya</td>
<td>403</td>
<td>1.6</td>
<td>34</td>
<td>1.6</td>
<td>11.85</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>2,371</td>
<td>11.9</td>
<td>40</td>
<td>3.1</td>
<td>59.28</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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Sources: Eckstein and Horton (1978); El Ghonemy (1990); Grindle (1990); Hall (1990); Hayami, Quisumbing, and Adriano (1990); McClintock (1981); Powelson and Stock (1987); Prosterman, Temple, and Hanstad (1990); Scott (1976).
were sold to tenants under favorable conditions, with average prices of about 1.5 times the yield, significantly lower than earlier market prices of about 5 times the crop yield. The land reform process took more than 10 years to complete, and in many aspects the state acted as an arbiter between landlords and tenants (Jeon and Kim 2000). Similarly in India, abolition of the land rights of rent collecting intermediaries is widely judged to have been highly successful, in contrast to the more limited success of land ceilings and tenancy legislation (Appu 1997).

In Kenya immediately after independence, the so-called million acre scheme distributed about 300,000 hectares of formerly white-owned large estates to small farmers, with positive economic results (Scott 1976). Even though the program gathered momentum, for example, by farmers forming groups to purchase larger farms, the government discontinued it, partly for political reasons (Kinsey and Binswanger 1993). Following independence in the early 1980s, Zimbabwe initiated a land reform program that redistributed about 250,000 hectares of land. Participation in the land reform program improved households’ ability to accumulate assets, as well as their crop income, and reduced overall inequality (Gunning and others 2000). The first phase of land reform in the Philippines, based on a 1972 law, benefited about 0.5 million households. Aided by the availability of green revolution technology, this measure led to significant improvements in household welfare (Otsuka 1991). Effects in terms of investment and human capital accumulation have been estimated as significant, positive, and long term (Deininger, Maertens, and others 2002). Evaluation of the implementation of a subsequent law highlights that more progress has been made than often thought (Borras 2001), even though some beneficiaries still lack the complementary resources needed to make the land productive (Hirtz 1998).

Given the inequality of its land distribution, Latin America has a long history of land reform. Extensive land reforms in Bolivia, Guatemala (reversed in 1954), Mexico, and Peru have all been the outcomes of political struggles for the restitution of ancestral territories and the recognition of political rights. Encouraged by support from the general political climate in the early 1960s, which saw a smallholder structure as an effective bulwark against communism, land reforms moved ahead in Brazil, Chile (partly reversed in 1973), Colombia, Ecuador, and the Republica Bolivariana de Venezuela. In many cases, reforms had an explicit antifeudal purpose, seeking to displace the traditional agrarian elites and to eliminate labor relations based on peonage and servitude. In Nicaragua land reform occurred in the context of

Land reform can have a positive long-term impact, but success often remained elusive.
Many reforms, especially in Latin America, remained incomplete

Reforms were often guided by short-term political objectives or an “agrarian” focus on full-time farming, with too little emphasis placed on productivity aspects, and consequently a limited impact on poverty.

A revolutionary change of government in 1979, although the impact on household welfare was limited because of the adoption of collective structures (Enríquez 1992). Various waves of land reform were carried out in El Salvador, where as in Guatemala, land was the subject of a long political struggle and played a key role in peace negotiations to settle armed conflict (Seligson 1995). In Chile a more egalitarian land distribution that was the outcome of the political turmoil of the 1970s was judged to have permanently changed the nature of Chilean agriculture, set off a boom in investment, and greatly activated land markets, thereby having a significant impact on the agrarian structure (Jarvis 1985).

Traditional Latin American land reforms have often focused on access to land as opposed to a focus on broader household welfare and competitiveness of beneficiaries. Not surprisingly, because of a failure to provide beneficiaries with the prerequisites for making the best use of their land in a competitive environment, their record of solving the problem of rural poverty has been poor (de Janvry and others 2001). Another shortcoming of past land reforms in Latin America has been their tendency to substitute frontier settlement for a true effort at land redistribution in the interior of the country. The way in which land reform was undertaken in these contexts has been empirically linked to increased deforestation (Fearnside 2001). In addition, the implementation of some land reforms entailed perverse incentives. For example, where invasion of land can lead to expropriation, in some circumstances landowners and groups of individuals who are not the target group of the program may collude to bring about an expropriation, leading to increased violence (Alston, Libecap, and Mueller 1999b, 2000). Clearly countries should avoid setting up such perverse incentives.

Historical experience shows that giving access to land has been easier than securing the competitiveness of beneficiaries, and that by failing to do so a number of reforms remained incomplete (Warriner 1969). As a consequence, second-generation issues related to securing the competitiveness of reform beneficiaries, and in some cases even their tenure security, remain to be addressed. As illustrated in box 4.1 for the case of Colombia, the relative lack of success has led to considerable changes in land reform policies over time in many countries.

In most cases, the primary motivation for undertaking land reforms has been political rather than economic (Herring 1999). Past land reforms in many countries often aimed at calming social unrest and allaying political pressures by peasant organizations rather than increasing productivity. Governments initiated many land reform programs in
Africa and Latin America in response to political pressure (or to divert attention from other problems) rather than as part of a long-term rural development strategy. As a consequence reforms were often designed ad hoc and were out of line with actual needs and capacities, and commitment to them faltered once social emergencies subsided (Barraclough 1970). Moreover, individuals targeted to benefit from these programs were often the politically most vocal and well connected rather than those with the best ability to make productive use of the land or the most deserving poor (Alston, Libecap, and Mueller 2000; Deininger and Gonzalez 2002; Fearnside 2001). The political nature of land reform programs implies that even in situations where such programs can lead to significant improvements in productivity and household welfare, as in the case of Brazil, which has recently stepped up its efforts (see box 4.2), countries are unlikely to undertake them unless a strong political movement campaigns effectively for their implementation (Teofilo 2002).

Another element that has often reduced the impact of land reforms while increasing the cost of their implementation was the desire to award land plots large enough that beneficiaries could derive a livelihood from agriculture only. This was inefficient not only because it

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**Box 4.1 Changes in land reform policy in Colombia**

LAND REFORM HAS BEEN ON THE POLICY AGENDA in Colombia since 1936, when a weak law to protect tenants and redistribute idle land proved ineffective and was unable to prevent violent conflict (Gruszczynski and Jaramillo 2002). In 1961 the government set up a land reform agency, the National Institute for Agrarian Reform and Frontier Settlement (Instituto Nacional de Colonizacion y Reforma Agraria), to deal with the issue. However, the focus was on frontier settlement rather than on redistribution, and the continued existence of a distorted policy regime, together with a tendency toward re-concentration of land fueled by drug money, implied that land reform had only a limited impact: the Gini coefficient for land ownership shifted from 0.84 in the 1960s to 0.81 in the 1990s. Following macroeconomic liberalization and associated decreases in land prices, a law aiming to replace the centralist approach with one where those in need of land would be able to obtain a grant (worth up to 70 percent of the purchase price up to a specified limit) that would enable them to acquire land in a decentralized manner from landlords willing to sell was passed in 1994, but unwieldy regulation and the fact that financing was limited to land purchases implied that, in practice, the process was little different from that in effect before (Rojas 2001). The inability of many of the farms established to repay their debts has led to sharp cutbacks in financing for land reform, the lion’s share of which is now spent on the operational costs of INCORA rather than on investment, suggesting that any future attempts at land reform will have to pay attention to institutional issues (Lavadenz and Deininger 2002).
neglected the diversity of livelihood options among the poor and the scope for beneficiaries to gradually expand their operations, but also because in many cases other constraints, for example, on the ability to obtain working capital, prevented beneficiaries from making full use of the land they received. Recent evidence that suggests that access to relatively small amounts of land, in some cases not even owned land, can provide significant welfare benefits (Finan, Sadoulet, and de Janvry 2002) supports this view, suggesting that awarding smaller plots could, in some settings, act as a catalyst and have considerable welfare benefits. In some Latin American countries, the land reform institutes that were in most cases established during the 1960s still implicitly or explicitly follow the full-time farmer paradigm, suggesting that significant institutional change, and much closer collaboration with local governments, will be required if the remaining reform agenda is to be tackled in a way that can be justified from an economic as well as a social point of view.\(^5\)

Box 4.2 Brazil: land reform to combat poverty in a middle-income country

WITH A LAND DISTRIBUTION AMONG THE MOST unequal in the world, Brazil is characterized by a high level of landlessness and a politically vocal demand for land reform. Recent studies estimate the number of households that are candidates for land reform at 2.5 million. A land reform institute established in 1964, the National Institute for Colonization and Agrarian Reform, distributed 10 million hectares to about 300,000 families and colonized about 14 million hectares for some 75,000 beneficiary families in its first 30 years of its existence. Greatly increased funding and political resolve meant that since 1995 more households have benefited from land reform than in the previous 30 years. Overall, 584,000 households received a total of 18.7 million hectares of land. At the same time, and partly because of macroeconomic adjustment and the elimination of agricultural protection, which decreased land prices, the cost per household more than halved between 1995 and 2000 (Teofilo 2002). As the constitution prohibits the expropriation of lands below a minimum size, the government has initiated a model of community-based land reform, whereby households receive grant resources for investments on land acquired through voluntary negotiation. While the program was politically controversial and its impact has not yet been properly evaluated, preliminary evidence suggests that where it was well targeted to the poor and implemented with the involvement and support of local nongovernmental organizations, it acquired land at low prices, significantly lower than those in the market or paid as compensation for expropriation of comparable land (Teofilo 2002), helped to expand the range of land and beneficiaries, and improved the welfare of participating households (Buainain and others 2002). The challenge is to guarantee the continued competitiveness of land reform beneficiaries within a policy framework aimed at development of rural areas.
While reform of landlord estates will benefit former tenants, all of whom already have experience with managing a farm, selecting land as well as beneficiaries is more difficult in situations where highly mechanized farms or previously underutilized lands are to be distributed to landless people. The desire to achieve quick results tempts reformers to redistribute land that already comes with productive infrastructure. The example of the Philippines illustrates that even in cases where land reform is justified, having a mechanism that selects truly underutilized lands, with minimum side effects for lands that are well utilized, is critical, because the productivity increase and thus the economic and social benefits to be derived from redistributing well-functioning plantations to former workers are likely to be extremely limited (Hayami, Quisumbing, and Adriano 1990). In many cases where this was done, lease-back arrangements soon emerged, whereby land reform beneficiaries immediately rented back their land to the former plantation owners under long-term contracts of 30 to 50 years, and neither productivity nor household welfare improved. Even where beneficiaries tried to establish their own cooperative or collective arrangements for cultivation, the outcome was often conflict among beneficiaries and de-capitalization of the farms, not dissimilar to what Peru experienced in highly mechanized sugar plantations in the 1970s (McClintock 1981).

In view of the significant wealth transfer involved, selecting beneficiaries through administrative agencies and de-linking land reform from other activities can lead to corruption. Establishing clear rules at the local level, encouraging participation by civil society, and emphasizing a systematic program of training and preparation will be critical (Deininger 1999). Land reform should also avoid the temptation to focus only on beneficiaries, and not neglect those, such as farm workers, who may lose their jobs but not receive land and therefore be negatively affected. For example, in Zimbabwe workers on farms that were subjected to redistribution constitute one of society’s most vulnerable groups. Land reform that does not include provisions for this group may lead to further deterioration of their welfare and may well imply that the overall equity impact of reforms will be negative (Moyo, Rutherford, and Amanor-Wilks 2000). This is particularly relevant in the African context, where the challenge for land reform to provide the basis for a vibrant and productive rural sector is large and accomplishments thus far have lagged significantly behind expectations (see box 4.3).
Key Issues for Land Reform Programs

The fact that, as illustrated in previous chapters, the poor will often be unable to access land through the purchase market, implies that market forces are unlikely to be able to correct highly unequal and often inefficient distributions of land ownership (Carter and Zimmerman 2000).

Box 4.3 Challenges of land reform in South Africa

The case of South Africa illustrates that land reform is one of a number of ways to increase access to land and productive assets by the poor. Based on a history of dispossession of its black population, livelihood opportunities in the country’s rural areas are distributed in a dualistic fashion, and the rural economy depends on migrants’ remittances and government handouts. To hasten development of the sector’s productive potential, as of 1994 the country implemented a program of agricultural liberalization. This was complemented by a land reform program resting on the three pillars of tenure reform, restitution, and redistribution, given that markets will not help to redress the inherited bias in the asset distribution.

Tenure reform aims to increase tenure security for about 6 million households: 3.9 million in former homelands, 0.8 million permanent farm workers, and 1.3 million households in informal and squatter housing in and around urban areas. Restitution provides specific compensation to victims of forced “black spot removals,” that is, wholesale eviction of black farmers located in white areas undertaken since 1913. More than 90 percent of the cases lodged come from urban areas, and progress was slow until the process was simplified in 2000. The aim of the program of redistributive land reform was to provide opportunities for the large number of black households wanting to gain access to land, but that lacked formal documentation. Originally the program provided a grant of up to about US$2,500 per household equal to the maximum subsidy under the National Housing Program. While this amount was not expected to be sufficient to establish an independent agricultural operation, it was designed to provide startup funds for an agricultural enterprise and has since been replaced by a more flexible scheme. Targets for land redistribution were extremely ambitious: the government aimed to transfer 30 percent of the country’s 99.07 million hectares to about 3 million people between 1994 and 1999. After three years of operation, only about 200,000 hectares of land had been transferred to about 20,000 households, partly because of structural limitations (Zimmerman 2000).

Although some viable farm enterprises seem to have been established (Deininger and May 2000), much of the potential of land reform remains unrealized (Cliffe 2000; Hall 1998). In some cases bureaucratic processes and other restrictions have made it difficult for beneficiaries to enter into labor-intensive and high-return activities (Hamman and Ewert 1999). Indeed, households participating in government-assisted land reform projects perceive themselves as having lower levels of tenure security than formerly disadvantaged households who acquired land through private transactions outside the government program (Graham and Darroch 2001), and more land appears to have been redistributed to formerly disadvantaged groups through the market than through government land reform (Lyne and Darroch 1997). To increase decentralization and integrate the program into the broader rural development agenda, the government has modified the program to increase the role of beneficiaries, local governments, communities, and the private sector, thereby improving implementation.
Moreover, rental markets suffer from dynamic inefficiencies with regard to investment by either landlords or tenants (Jacoby and Mansuri 2002). In this case, land reform could have a role in helping countries not only to overcome the legacy of the past, but also to establish a basis for higher growth, distributed in a more egalitarian fashion, in the future. Increasing awareness of the importance of more egalitarian land distribution has led to renewed interest in redistributive land reform as a way to achieve sustained poverty reduction and improved productivity. Before the 1990s, the ideological and political constraints associated with the Cold War strongly affected the nature and impact of redistributive land reform. Since then, programs to adjust and eliminate agricultural subsidization have created a better basis for the productive operation of smallholder farms growing high-value crops. Domestic political tensions have caused land reform to re-emerge as an important issue in many countries where land remains highly unequally distributed, as well as in postconflict countries where access to land was often a central demand that led to the conflict.

At the same time, policymakers need to be aware that land reform is not a magic solution, and that a number of factors may affect the scope for successful implementation. Distortions that would increase land values should be eliminated and mechanisms to strengthen tenure security and improve access to land through (rental) markets need to be exhausted, or at least addressed simultaneously with any land reform program. Failure to do so will either make land reform unsustainable or increase its cost to a point where replicability will be compromised. Also, beneficiaries who want to participate in land reform will need to make a conscious choice for this type of program, especially in view of the experience of past programs that all too often put people on the land who would have preferred to receive other assets instead.

Beneficiaries’ ability to make productive use of land acquired during land reform will depend on a change in the pattern of land utilization, clear delineation of responsibility for production outcomes, and the construction of complementary infrastructure suitable for smallholder agriculture. In many cases the lack of capital prevented beneficiaries from significantly increasing the efficiency of production, and in the case of redistributing well-run plantations may even have reduced productive efficiency (Hayami, Quisumbing, and Adriano 1990). Even if they are workers of the former farm, beneficiaries are generally unaccustomed to making independent entrepreneurial decisions, a constraint that is particularly important if realizing the benefits of land

**Land reform can be justified on efficiency and equity grounds as one strategy for providing access to productive assets**

**Access to nonland assets and working capital is essential**
Access to assets needs to be complemented by credit and output market access, transparent and participatory selection of beneficiaries, and fiscal viability.

Land reform requires significant modifications to cropping patterns or marketing arrangements. In the many cases where the farms acquired for land reform were not farmed at full capacity, were run down and decapitalized, or were highly mechanized, the neglect of simple works, such as clearing pastures, erecting fencing, and constructing basic infrastructure, or of the need for some startup capital, can often be linked to beneficiary failure and eventual desertion. Similarly, programs that were limited to the mere transfer of land to existing workers without being concerned about complementary investment, training, technical assistance, and provision of resources beyond the mere land were generally associated with limited equity and efficiency benefits.

Without access to credit markets, land reform beneficiaries may well be worse off than they were before, when their landlords provided them with inputs, and possibly even with credit for smoothing consumption. A large-scale land reform program in Ireland actually worsened access to credit by limiting the ability of new landowners to mortgage land while at the same time cutting off the informal credit they had previously obtained from their landlords (Guinnane and Miller 1997). Severely restricted access to credit together with insecure property rights have led to widespread selling of land by former land reform beneficiaries in Nicaragua, often at prices below the productive value of the land (Jontakin 1996), as well as in Brazil (Alston, Libecap, and Mueller 1999a); Chile, where many land reform beneficiaries sold their endowments within a decade (Jarvis 1985); and the Philippines (Hayami 2000).

As many land reform programs award comparatively large grants to beneficiaries, there is considerable scope for moral hazard in beneficiary selection. To avoid this, nongovernmental organizations (NGOs) and farmers’ organizations have an important role in helping to make land reform effective in transforming political as well as economic realities (Barraclough 1999; El Ghonemy 1999). Considerations of beneficiaries’ ability to deal with risk will also be critical for land reform efforts. In the presence of credit market imperfections, the redistribution of property rights will improve incentives for work and investment, but lack of access to credit may constrain beneficiaries’ ability to improve productivity and increase investment (Bardhan, Bowles, and Gintis 2000). Mechanisms to facilitate access to credit, possibly through micro-lenders (Carter and May 1999), will therefore be extremely important in land reform programs and may have been given too little attention in the past. In some cases arrangements whereby a financial intermediary supervises production, provides input credit in kind, and helps organize...
marketing have helped reform beneficiaries overcome obstacles posed by market imperfections, at least during the establishment phase (Deininger 1999). NGOs and grassroots movements can fulfill an important role in providing access to markets, technology, and other inputs critical to the success of land reform beneficiaries (de Janvry, Sadoulet, and Wolford 2002). As the record of government institutions in providing such services has not been encouraging (Molina 2002), strengthening and building on existing organizations to help with the initial establishment of land reform beneficiaries has many advantages.

A main reason why governments have favored land reform over other redistribution strategies has been the belief that with a constitutional provision for expropriating underutilized land, it would be a relatively cheap option. They have often used nonindexed government bonds as a means of compensation, thereby further reducing the real value of payments for land. However, governments’ ability to acquire land at below market costs has been rather mixed, and they only seem to have acquired land at much below market prices in Japan, Korea, and Taiwan (China). In many cases governments ended up paying compensation above what could reasonably have been considered a fair market price following landowners’ appeals to sympathetic courts. Lack of funding was a key reason for terminating land reform programs, especially where the continued existence of implicit and explicit distortions, for example, protection and the use of land as a tax shelter, drove land prices above the capitalized value of agricultural profits, which implied that compensation to landlords was overgenerous. In addition to increasing the fiscal cost of land reform, such distortions also reduce its sustainability, as they encourage land reform beneficiaries to sell out to large farmers, thereby contributing to the re-concentration of holdings. In addition to eliminating distortions, approaches that would make large rural landowners pay for at least part of the land reform efforts, for instance, through a land tax, may be worthy of greater attention. The use of land taxes to finance land acquisition could greatly increase the viability of such reforms at the macro level.

Implications

In practice, governments have applied a number of models to implement redistributive land reform. These include expropriating land, mostly with compensation; privatizing state land; auctioning off land owned by
bankrupt enterprises; or providing potential buyers with a grant that can be financed out of general revenue, a more decentralized mechanism than the others. Specific programs differ from each other in broad parameters, such as overall cost, targeting to poor producers, and incentive structure, and in the extent to which they are achieving their goals. Common issues that, according to evaluations, have compromised the scope for poverty reduction inherent in these programs, include the following:

- A failure to pay sufficient attention to capacity building and training before beneficiaries gain access to land not only creates misperceptions about the nature and scope of a land reform program, but generally also results in the selection of beneficiaries who are better off or have pre-existing knowledge, thereby limiting efforts to reach out to the poor.
- A failure to carry out ex ante assessment of the viability of the activities to be undertaken by beneficiaries reduces the economic sustainability of land reform projects, lowering their potential to a point where the welfare impact of land reform is so limited that beneficiaries might desert their lands. This would also include an assessment of the extent to which access to land can be a way to lift rural households out of poverty.
- The desire to gain access to productive resources or bureaucratic inertia in the process of identifying land may prevent prudent assessment of the potential of the land received or of the obligations incurred by those obtaining the land. Unless this is done, large amounts of resources may be transferred to landlords or bureaucrats instead of to beneficiaries who, in addition, may assume unsustainable burdens.

As the example of Brazil illustrates (see box 4.2), a key precondition for land reform to be feasible and effective in improving beneficiaries’ livelihoods is that such programs fit into a broader policy aimed at reducing poverty and establishing a favorable environment for the development of productive smallholder agriculture by beneficiaries. If these are in place, several instruments are likely to complement each other, for instance, expropriation with compensation, negotiated land reform, devolution of government land, and regular land sales as well as rental markets, with different modalities being suitable for different target groups (de Janvry and Sadoulet 2002). When land reform is appropriate, governments should carry it out transparently, in a nondistorting fashion, and as quickly as possible so as to avoid the possibility that regulations
adopted to facilitate the implementation of land reform will negatively affect other avenues for accessing land. Irrespective of the political and institutional constraints that can hamper the implementation of effective land reform, interventions to advance redistributive reform should have a number of characteristics, namely:

- The land reform programs need to be integrated into a broader strategy for rural development to, among other things, provide an indication of the dimension of such a program and the role of land compared with nonland assets, and cannot be abstracted from the broader macroeconomic context. Land reform cannot be limited to providing land, but needs to put households on a viable trajectory of development. This normally requires a strong element of training and capacity building, as well as provisions for complementary investment to make the land productive.
- The design of programs should be based on clear and transparent rules and provide incentives to maximize productivity gains, for example, by selecting underutilized lands or employing labor-intensive modes of land use. Landlords should be paid fair compensation, but not more.
- A multiplicity of paths to access land will need to underpin land reform, including, in addition to state-sponsored land transfers, progressive land taxation to increase the supply of underutilized land, divestiture of suitable state land, foreclosure of mortgaged land, and rental and sales markets. Unless these are implemented quickly and decisively, many of the measures—especially the imposition of low land ceilings, rent controls, and tenancy legislation in an attempt to increase the supply of land or to reduce prices—have been largely ineffective, and if they persist will have negative long-term consequences.
- The rights given to beneficiaries need to be secure and unconditional. To allow access to credit and the possible movement of beneficiaries’ children out of agriculture, beneficiaries should be allowed to rent or sell their land, perhaps after some initial period to give them enough time to become more familiar with the productive potential of their farms.
- A level playing field, that is, an undistorted policy environment supportive of smallholder agriculture, is critical if land reform interventions are to be sustainable. This implies that in many cases interventions to increase land access need to be accompanied
by policy changes and institutional strengthening for provision of complementary services and access to markets and technology.

• The implementation of any land reform program should be decentralized, with potential beneficiaries and communities taking the lead to help beneficiaries access social infrastructure; diversify against risks; and allow them to take advantage of other infrastructure, such as markets, technology, and credit. Efforts at land reform should complement existing mechanisms for land access, for instance, rental markets and programs in other areas.

• The provision of some grant financing will be needed for land acquisition, complementary investments, and working capital. Such grants should be justified with respect to the benefits to society arising from the intervention, that is, increased social peace and productivity. They should be explicitly targeted toward the poor, and should ideally be provided in a form that facilitates access to credit and output markets in the future.

• The government has a role in providing training and technical assistance before and after the transfer of land to beneficiaries, in addition to providing targeted support in the form of grants or loans on a scale that is sufficient to establish economically viable undertakings, while at the same time striving to accommodate a maximum number of beneficiaries. Both types of support should be explicitly targeted toward the poor in a transparent way that precludes capture by powerful local elites.

• The rule of law, in particular, existing property rights that have been acquired in good faith in systems where property rights are privately held, need to be respected. Expropriation without fair compensation would not only have deleterious effects on the economy as a whole, but could also generate a wave of subsequent restitution claims that, in addition to being expensive to settle in financial terms, would create social conflict that is difficult to overcome. Taxation of land would be a more effective way to increase supply.

These principles apply across a wide range of different approaches to land reform, which suggests that countries have to confront the underlying issues irrespective of the specific land reform model used. Also, there is considerable opportunity for learning from past mistakes. To make such learning possible, rigorous, participatory, and transparent evaluation that is undertaken with the express purpose of providing feedback to the process of implementation will be needed.
Reducing the Incidence and Impact of Land-Related Conflict

Earlier discussion has illustrated that land conflicts originating either in historical inequities or in increased land scarcity can have far-reaching impacts on social peace. Such conflicts are more likely to arise where (a) there is a history of large-scale, historical expropriation of land rights; (b) land becomes more valuable either because of technical and economic change or as a result of increased scarcity of productive land brought about by population growth; and (c) economic opportunities are lacking in other sectors of the economy and/or the state is in fiscal crisis. History provides many examples where the deprivation of land rights as a feature of more generalized inequality in access to economic opportunities and low economic growth have caused seemingly minor social or political conflicts to escalate into large-scale conflicts with devastating economic and social consequences. At times this has led to disintegration of the state, for example, in Burundi, Côte d’Ivoire, El Salvador, Guatemala, Rwanda, and Zimbabwe. This section discusses how land policy can help to deal with the issues arising in postconflict situations and how, by helping to reduce the conflict potential, it can prevent small-scale conflict from expanding into generalized violence. Given the limited attention this topic has received in past research, this section is more exploratory than others, aiming to draw attention to the issue rather than presenting firm and established policy conclusions.

Dealing with Postconflict Issues

In many countries, protracted and violent struggles have significantly reduced the performance of the agriculture sector and of the economy as a whole. Many analysts have emphasized the important role of peasant discontent in incidents of regional and national violence (Goldstone 1991; Huizer 1972; Kriger 1992; Migdal 1974; Moore 1966; Rueschemeyer, Huber, and Stephens 1992; Scott 1976; Skocpol 1979; Wickham-Crowley 1991). The losses caused by such conflicts are difficult to measure, but some notion of their magnitude can be gauged from their duration, which often lasts over several decades, as in the case of Colombia, where land has been a focal point for violence since the late 1930s, and from the intensity of conflict if it erupts. The example of Colombia,
together with many others, also demonstrates that the temporal link between unequal access to land and open conflict is often not immediate. Indeed, unequal land distribution often becomes a rallying cry in situations of economic hardship that are only indirectly related to land. Thus even though land-related grievances are often not the sole source of uprisings and violent conflict, failure to address them can significantly increase the potential for conflict in situations where, as in the case of South Africa and Zimbabwe, some groups have historically been deprived of their land rights (see box 4.4).
Especially where land was an important factor leading up to conflict, attention to land issues in postconflict situations is critical. Specific land-related aspects of such situations include (a) the need to use land to provide a livelihood for demobilized soldiers and displaced populations; (b) the presence of large numbers of refugees who may have been driven from their lands and whose documents to prove ownership have been destroyed or lost; (c) a particularly severe situation for female-headed households and widows, who typically account for 20 to 25 percent of all households in postconflict situations, and for orphans, whose land access is particularly insecure not only because they lack formal documents, but also because they originally accessed land only indirectly, for example, through the head of the household; (d) a breakdown of traditional village structures and the often well-balanced systems of informal secondary land and resource rights that were associated with them; (e) a rapid increase in the frequency and extent of land disputes, which often constitute about two-thirds of the civil case-load of a judiciary that is unable to cope with the demands, a situation that is often complicated by the direct involvement of the military or representatives of other state organs; and (f) a contamination with land mines and difficulties in physical movement.

Given the historical precedents, dealing effectively with land issues has often been a pressing need in the immediate postconflict period. The ability to deal with the requirements quickly and effectively has often made a major contribution to postconflict recovery. In Mozambique the government could only achieve the quick resettlement of about 5 million people after the peace agreement, because instead of drawing up elaborate plans, it relied on local institutions to mediate and resolve the conflicts that emerged. Once this had been accomplished, the right to occupancy by rural families, as well as a strong role of local institutions, was enshrined in the new Land Law, which was subjected to elaborate public discussion and debate involving 200 NGOs and 50,000 individuals (Negrao 2002). Locals and outsiders recognize that the new Land Law made a major contribution to social and economic stability (Tanner 2002). Similarly in Ethiopia, the ability to redistribute land quickly made an important contribution to the rapid reintegration of demobilized soldiers into the economy (Ayalew, Dercon, and Krishnan 2000). Recognition of land rights acquired through mere occupation and rapid resettlement of displaced people were critical in Cambodia, where calls for land users to register their claims resulted in the lodging of almost 6 million initial claims, and

Comprehensive resolution of land conflicts can help in postconflict recovery
Failing to resolve widespread land conflicts can affect long-term economic performance and social peace.

Observers have repeatedly identified the ability to deal with these quickly as an important element of postwar reconstruction (Zimmermann 2002).

By contrast, the case of Nicaragua illustrates that failure to resolve property claims quickly can affect productivity and investment in the long term. In this case, since 1990 property rights to land have been a hotly contested issue in the transition from a revolutionary state to a democratic market economy. Inability to arrive at an agreement on property rights issues has led to the establishment of a legal and institutional framework that instead of being conducive to conflict resolution, contributes to the multiplication of conflicts and their persistence over time (Everingham 2001). The macroeconomic consequences in terms of the cost to the government of compensating expropriated holders of property rights (estimated at between US$1.5 billion and US$2 billion) and to the private sector through the reduction of investment caused by insecure property rights are considerable. In addition, the need for the poor, in particular, the beneficiaries of the Sandinista land reform, to spend scarce resources to defend their property rights has a decidedly negative impact on equity.

In countries where protracted confrontations and social violence over property rights threaten to undermine unconsolidated democratic institutions, attention to establishing a legal basis for clarifying land rights that is unambiguous and simple to implement will be essential. This will often include strong provisions for adverse possession, as in the case of Cambodia. In this context, many of the desirable elements of legal and institutional reform, as well as land regularization in general, will be relevant, although they will have to be implemented in a more speedy fashion than in traditional programs of institutional reform and land titling.

Avoiding a Buildup of “Low-Level” Conflicts

The empirical literature is unambiguous in highlighting that unresolved conflicts prevent investment and that establishing institutions to resolve these quickly can, especially in peri-urban areas, help unlock considerable amounts of investment (Kasanga and Kotey 2001; Merlet and Pommier 2000). While rigorous quantification is scant, a recent study from Uganda finds that unresolved conflict reduced output on a plot of land by more than 30 percent (Deininger and Castagnini 2002). Figure 4.1 illustrates this difference in productivity between plots with
and without conflict using nonparametric regression. As it affected women and widows disproportionately, such land conflict was detrimental to equity. Furthermore, recent changes in the legal status of women’s land rights and the local implementation structure appear to have increased rather than reduced the likelihood of conflict.

High levels of population growth with limited opportunities for non-agricultural employment and the resulting competition for land and threat of landlessness can give rise to serious land conflicts and accompanying social tensions and violence, both across and within communities and within households. These demographic and economic changes create multiple sources of conflict around land, including (a) land scarcity and the associated appreciation of land resources; (b) emergence of monetized land transactions in situations where previously land was inalienable; (c) opportunistic re-interpretation of earlier contracts, especially if they involved outsiders; (d) clashes between traditional and modern authorities with at least partly overlapping responsibilities and often different norms and clienteles, which cause them to issue verdicts that contradict each other; (e) grievances over appropriation of land by

**Figure 4.1 Productivity of plots with and without conflict, Uganda, 2001**

![Graph showing productivity of plots with and without conflict](image)

*Note:* Nonparametric regressions of productivity. The difference in output is statistically significant throughout. Bootstrapped confidence bands have been omitted.  

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Land conflicts are more likely to arise during demographic and economic transitions.
Minor land-related conflicts can easily escalate

Minor land-related conflicts can easily escalate certain groups or outside powers, including the declaration of environmentally protected areas that have a long history of utilization by communities; and (f) state land policy that eliminates all community ownership of land, questions foreign ownership, or establishes new legal and administrative provisions with little consultation, and therefore often with only a narrow basis for implementation and a lack of understanding by officials.

The wide variety of circumstances in which conflicts can arise is illustrated by case study evidence pointing to conflict between different types of land use such as farmers and herders, between locals and migrants, and between generations within families. Conflict within families often starts to erupt in relation to inheritance-related land transfers. In West Africa the younger generation, especially those unable to find nonagricultural employment, often competes for land with the descendants of migrants and questions their parents’ giving away land cheaply to “foreigners,” an issue that can easily spill over into intercommunity relations, with a potentially far-reaching impact. Unless broad growth occurs in the economy, such conflicts may be difficult to avoid. To deal with them appropriately, three elements appear to be crucial, namely: (a) the development of an incentive structure that rewards settlement of conflicts and insistence on informal resolution as a first step, (b) the ability to give legal validity to agreements reached as a result of such informal settlements, and (c) a system of conflict monitoring and information dissemination to help establish norms of acceptable behavior that would help affected individuals resolve conflicts among themselves.

The absence of mechanisms for informal negotiation and arbitration and the lack of institutional capacity to decisively resolve conflicts within, but especially across, communities in a way that is perceived as fair generate a potential for even minor conflicts to fester and eventually escalate into violent strife (Kuran 1993). In Rwanda during 1988-93, the buildup of land issues led to a gradual increase in the potential for conflict and provided the conditions that finally led to the outbreak of civil war in 1994 (Andre and Platteau 1998). Investigators have identified the lack of adequate mechanisms for resolving conflict or clarifying the nature of land transactions as prime reasons for continued ethnic cleavages in Ghana (Fred-Mensah 1999) and Côte d’Ivoire (Chauveau 2000), where recent events illustrate the link to more generalized violence. Devoting sufficient attention and resources to establishing mechanisms to facilitate the systematic monitoring and resolution of land-related conflicts is particularly relevant, because land tenure
issues are often strongly related to ethnicity and for conflict to escalate along this dimension is often easy. Setting up a legal framework that minimizes the emergence of new conflicts and provides accessible mechanisms and procedures for settling old ones is a necessary, but insufficient, condition for a sustainable reduction of the conflict potential. The latter also requires the creation of an administrative or judicial infrastructure that can quickly and authoritatively settle conflicting claims. In doing so, documentary evidence, proven traditions, and oral testimony may need to be accepted as evidence of established rights where appropriate. The case of Mexico illustrates the magnitude of the claims that can be involved and the attention that may need to be given to establishing appropriate mechanisms for conflict resolution, including informal ones. Following far-reaching legal changes, the government launched an intensive program of providing legal assistance to make those affected aware of their rights and established a decentralized system of 42 agrarian courts covering the whole country. To make resolution of land conflicts more agile and accessible to beneficiaries, and at the same time preclude overburdening the judicial system, the court system was to accept only cases where prior efforts to arrive at a settlement using nonjudicial means of conflict resolution had failed. Despite the reduction in the number of cases this implied, the judiciary spent more than four years dealing with the accumulated backlog of cases (Zepeda 2000). This highlights the need to adopt procedures that, while being accessible to those in need of redress, make efficient use of public resources, possibly by complementing the formal apparatus with a system of alternative conflict resolution mechanisms.

Limited outreach or credibility of state institutions can create a vacuum that leads to a power struggle at the local level. Where this is the case, working with and building on existing institutions in an incremental fashion may be the only option. This is illustrated by the case of Burkina Faso, where, even though the state nominally owns all the land, it often lacks the institutional presence and ability to enforce legislation, implying that state institutions are unable or unwilling to settle land disputes (Kevane and Gray 1999). Experience illustrates that such an approach to recognizing growing individual control over land could involve, for example, formal documentation of land transactions. Reliance on written records, signed by participants, could help eliminate part of the bias of existing informal systems toward the wealthy and powerful, and at the same time reduce the arbitrariness that arises from the ability to re-interpret historical facts according to the circumstances.
Similar approaches could be adopted with respect to legal recognition of solutions found to specific conflicts (Lavigne Delville 2002). Such mechanisms for conflict resolution, and accessible institutions to resolve conflicts in an authoritative manner, will be particularly important to avoid the tendency for institutional shopping whereby those affected by conflict choose whatever institution they think will be most favorable to their case and may even pursue parallel channels. Experience illustrates that such parallelism leads to wastefully high spending on legal battles and implies that resolution of conflict through one channel may not resolve the issue, and often contributes to a situation of generalized insecurity where the ability to bring (and through appropriate actions win) spurious claims can undermine the credibility of the entire property rights and associated judicial system.

In addition to using local institutions as much as possible and giving legal validity to informal resolution of conflicts, knowledge of the law and the institutional responsibilities by those who might be affected by conflicts is critical. Deficient knowledge about the applicable legal provisions and processes has been one reason why members of former cooperatives in Nicaragua failed to regularize their land ownership status. Their ignorance and the lack of clarity on institutional responsibilities was often exploited by powerful outsiders, with negative consequences for equity (Merlet and Pommier 2000). Similarly, in Russia and other CIS countries, limited awareness of legal provisions and ignorance about the proper institutional channels implies that new “landowners” are often unable to engage in collective action to resist pressures from individuals with better connections and to gain access to the inputs and markets they need to make productive use of the land. In many cases this has enabled former collective managers to gain temporary or permanent access to land for free or for extremely low payments. Case study evidence suggests that in such situations dissemination campaigns and the establishment of legal aid centers can have a significant impact (Prosterman and Hanstad 1999).

Access to information and proper channels for complaint and, if needed, appeal, are also relevant if land conflicts involve the state or its representatives. In China, for example, resolving conflicts between individuals and the collective is difficult, partly because farmers are unaware of their rights, and partly because the collective is often both judge and defendant. Yet the country has an effective approach for addressing conflicts between households. The new Land Contracting Law deals with these issues, but for it to become effective, wide dissemination and publicity involving specific examples will be required (Li 2002).
Land Taxation

The last decade has witnessed a tremendous increase in the decentralization of responsibilities to lower levels of government throughout the developing world (Bird 2000). At the same time central governments often assign responsibilities without making adequate resources available, and even in cases where they do so, the way in which resources are transferred often generates incentives that are inimical to effective service provision. For example, excessive reliance by local governments on central government transfers weakens fiscal responsibility and accountability to the users of such services. In the extreme, this can lead to a situation where unsustainable subnational debts can threaten macroeconomic stability, resources are spent in nontransparent ways, and the quality of service delivery is poor. A number of observers have identified the failure to devote sufficient attention to the availability of local revenue sources as a key deficiency of recent decentralization initiatives (Boadway 2001; Eaton 2001). Taxes on land and real property provide an ideal mechanism to increase fiscal responsibility in a way that has few distortionary effects. While such taxes have both advantages and disadvantages, they may have considerable potential to strengthen fiscal responsibility at the local level in a way that might encourage more effective use of land.

Because real property is immovable, implying that the only way in which households can react to differentials in property taxes is through relocation, taxing it will be much less distortionary than levying taxes on sales or income. Moreover, property taxes will often be capitalized into property values in a particular community, thereby coming close to being a benefit tax. Land taxes have therefore traditionally been considered to be an ideal revenue source for local governments (Brueckner 2000). If a land tax is based on the potential monetary yield from a certain plot under normal conditions, it will have minimal disincentive and distortionary effects, and by taxing resource rents may contribute to more efficient use of a valuable natural resource. Indeed, local taxes are used extremely effectively in the United States, and some evidence indicates that levying taxes on land can actually induce development (Oates and Schwab 1997). On this basis, observers often note that a land tax provides one of the few mechanisms to sustainably fund local governments without recourse to transfers, which may distort incentives and break the link between the level at which public services are provided and the payment for such services.
Taxes on land and property are an important source of local revenue in many countries, and more so in developing than in industrial or transition countries. In the 1990s land and property taxes accounted for 40 percent of all subnational taxes in developing countries, 35 percent (up from 30 percent in earlier decades) in industrial countries, but only 12 percent in transition countries (Bird and Slack 2002). They financed slightly more than 10 percent of subnational expenditure in industrial and developing countries in the 1990s, although only little more than half that much in transition countries. To assess the rationale underlying these large differences and what might be done to change this situation, the following paragraphs review key issues that need to be taken into account with regard to property tax implementation.

Administering a tax on land effectively and equitably requires having an official record, or cadastre, of the size, value, and ownership status of each tract of land and its productive capacity along with information on the costs of outputs and inputs. Land tax administration also requires a property tax law that assigns property rights and tax obligations and an administrative organization that keeps the register up-to-date and assesses, collects, and enforces the tax (Bird 1974).

Taxes can be based on area occupied, on property value, or on a system of self-assessment and can be levied on the value of unimproved land or of land plus buildings. While levying a tax on unimproved land would be least distortionary from a theoretical perspective, land and buildings are normally subject to taxation. The assessment rates may be the same for land and buildings, or may be different, and possibly adjusted for location. Under an area-based assessment system, a charge is levied per square meter of land area or building space, something that can be extremely distortionary, because it does not adjust for differences in land quality. At the same time, determining a market value based on comparable sales, depreciated cost, or rental income may be difficult, especially where markets are thin, and mass appraisal techniques to deal with this problem have become increasingly widespread. A final possibility is self-assessment, that is, requiring property owners to place an assessed value on their own property, with different mechanisms applied to provide incentives for truthful declaration (Strasma 1965; Tanzi 2001). While appealing in theory, especially for poor countries with limited administrative capacity, such approaches have not been widely accepted, and any perceived lack of fairness may quickly undermine compliance. If land quality cannot be observed at low cost, a land tax may impose higher effective
tax rates on landowners with low-quality land than on those with high-quality land. This effect may be large enough to make a land tax less desirable than an output tax (Skinner 1991).

Even though realization of the desirable features of a land tax requires that local governments are free to determine tax rates independently, in many developing countries local property taxes remain highly centralized. They are thus far from the ideal of responsible local autonomy, which combines the ability to set tax rates locally with a hard subnational budget constraint. In some countries, for example, Chile, Japan, Thailand, Tunisia, and Ukraine, the central government essentially sets the rate; in others, such as Colombia, Hungary, and the Philippines, some local discretion within a predetermined range is allowed; and in only a few, for example, Argentina, Canada, and Kenya, do local governments have complete discretion in setting tax rates.\(^{12}\) Greater autonomy in setting tax rates can be highly desirable, especially in the case of CEE where, as discussed earlier, the privatization of enterprise land has largely stalled, because cities and local governments are unwilling to give up the secure and regular rent payments that they receive directly for vaguely defined property taxes over which, in many cases, they have little control.

In many countries poor tax administration rather than the more conceptual issues identified earlier imposes the greatest bottleneck on effective collection of property taxes. As a consequence, either the tax register does not include all taxable properties, and collection rates, as well as enforcement, remain low. Considerable devolution of power to subnational governments along with a strengthening of their administrative capacity may be needed to facilitate improvement.\(^{13}\) The issues associated with administration are the typical technical ones and include identification, assessment, and collection. Identification is achieved through a fiscal cadastre that contains a description of each property, a definition of its boundaries, an indication of ownership, and the value of the land and improvements (for a more detailed review of cadastres see Dale and McLaughlin 2000). In many countries, for example, Hungary, Latvia, and the Philippines, this information is dispersed among different agencies.

Completeness of the revenue base is also a problem, for example, in Guinea and Kenya, where the fiscal cadastre covers only 33 percent and 20 to 70 percent of taxable property, respectively. As assessment requires specialized expertise, it may be contracted out rather than performed by local government employees. In addition to the problem of coordinating different government offices, key issues are the need to keep the system
Equity concerns need to be incorporated in the tax structure

High visibility makes property taxes politically difficult

Equity concerns need to be incorporated in the tax structure. Collection, by contrast, is mostly a local government function. Although tax arrears as a proportion of taxes collectible are low in most industrial countries, for instance, 3 to 4 percent in Japan and the United Kingdom, they can be large in developing and transition economies, and amount to 50 percent in Kenya and the Philippines and almost 70 percent in Russia.

The literature is clear that if risk is high and insurance markets are unavailable or imperfect, introducing a significant land tax (based on average incomes) can be disadvantageous to the poor, and in extreme cases can lead to greater land concentration, as Hamid (1983) shows for India. In addition, when insurance markets are imperfect, a mix of output taxes and land taxes is always superior to either tax in isolation for the same reason that a sharecropping contract is preferable to a fixed rental agreement (Hoff 1991). The simplest way of dealing with this concern is to have a land tax from which owners of extremely small holdings are exempt, as is the case in many countries. In addition to the positive effect on equity, this approach can also be justified by the high administrative cost that would be involved in taxing small holdings.

One of the reasons for the limited effectiveness of property taxes may be that because of their visibility they are difficult to introduce politically and fall largely on the rich who, at the local level, may hold political power, and thus effectively resist the collection of such taxes. Unlike income or sales taxes, property taxes are not withheld at source, but have to be paid directly. The implied visibility is desirable from a decisionmaking perspective, because it enhances the accountability of local governments and corresponds with the fact that property taxes normally finance local services, but that same visibility makes their introduction more difficult. This is further exacerbated by the fact that the values on which land taxes are based will rarely be available from impersonal markets, but have to be determined administratively. Moreover, the property tax base is relatively inelastic, implying that yields are unlikely to increase significantly over time.

A number of authors have argued that, conceptually, progressive land taxes would be more appropriate for reducing the tendency to hold land unproductively than land ownership ceilings and other instruments reviewed earlier. Taxes could reduce the scope for land speculation and induce large landowners to sell out or to use their land more intensively (Hayami, Quisumbing, and Adriano 1990). Because they encourage more intensive land use, land taxes could even be envisaged as a means to finance programs of redistributive land reform. Experience with this
in the past has not been encouraging. Many countries, including Argentina, Bangladesh, Brazil, Colombia, and Jamaica, tried to implement progressive land taxes. In all cases success was limited because of difficulties in valuation, in enforcing compliance, and in dealing with litigation surrounding the issue (Bird 1974; Strasma and others 1987). Part of the reason for the almost universal failure of taxes on rural land in these cases was undoubtedly the political clout of landlords in rural as compared with urban areas, their domination of local governments, and the formidable technical obstacles that created. Both were much higher when these reforms were attempted than they are today. Nonetheless, in view of both the political and administrative challenges associated with the implementation of land taxes, careful ex ante evaluation is needed and a simple, possibly flat, tax that may be waived for very small landowners may be more advisable than a complicated structure that invites evasion and political resistance (see box 4.5).

**Devolution of Control of State Land**

**IN PRINCIPLE, STATE OWNERSHIP OF LAND DOES NOT PRECLUDE** the award of secure, long-term leases to individuals that would allow entrepreneurs to make the investments needed to increase the productivity of the land and use it as a basis for enterprise development. In practice, however, unclear legal provisions, lengthy and nontransparent procedures, and a limited ability by either the central or local governments...
to credibly commit in the long term can all increase tenure insecurity, reduce investment incentives, and pose an obstacle to productive use of land. The areas involved can be substantial, for example, in Ghana estimates indicate that the state owns 40 percent of urban and peri-urban lands, most of which are left undeveloped (Kasanga and Kotey 2001). To the extent that such land is not used optimally, the transfer of land ownership or use rights, depending on the legal situation, to the private sector, could not only improve land use, but could also increase government revenue and eliminate a potential source of corruption.

In addition to legal issues, some of which have been discussed earlier, there are three areas of concern in relation to implementation, namely, (a) the recognition of adverse possession on state lands and speedy regularization procedures to occupants of such lands in peri-urban and rural areas; (b) the devolution of control of state land, either through long-term leases or through full ownership and the resolution of issues, for example, debts of predecessor enterprises, that might preclude such action; and (c) the clear circumscription of the state’s right to expropriate land in the public interest that is linked to reduced scope for arbitrary and discretionary action by individual bureaucrats in this context.

The negative impact of land ownership arrangements on private investment is especially pronounced in Africa, where many newly independent states originally adopted the legal framework inherited from their colonial masters with few modifications, and subsequently often further increased rather than decreased bureaucrats’ discretionary power over land. Purportedly to pursue equity and social justice, in the 1970s many African governments established state ownership or a monopoly of the state over land allocation, and in many cases nationalized land, something that has often given rise to high levels of mismanagement and corruption (Mabogunje 1992). In rural areas, this has often implied an attempt to replace traditional authorities that, while certainly not without shortcomings, were at least accessible and recognized at the local level, with a state bureaucracy with neither the necessary outreach nor the requisite social legitimacy or accountability. In situations where land is still relatively abundant, this can imply serious delays and obstacles to investment, and at the same time can reduce the scope for local communities to benefit from such investment. A study of 10 francophone Sub-Saharan African countries shows that with the exception of one country, the state has not yet renounced its monopoly on land, although the situation has improved in some countries (Durand-Lasserve and Royston 2002b).14
In many cases households have occupied state land for long periods of time, but the lack of formal recognition creates uncertainty and prevents occupants from making long-term investments, and in some cases even from using the land as collateral for credit, and may give them little recourse against evictions or extortion. In all these situations, the authorities provide a low-precision, and thus low-cost, certificate of usufruct that protects against eviction and can be gradually upgraded over time. Doing so can provide considerable benefits, as has been demonstrated in Brazil, where such certificates are known as usucapios (Fernandes 2002), or in India, where they are referred to as pattas (Banerjee 2002). By contrast, protection for possession of land in good faith in urban and rural areas is much weaker in Indonesia and nonexistent for state lands in Venezuela.

The ability to obtain legally recognized rights, even if unchallenged occupancy in good faith cannot be documented formally, but is instead based on oral evidence, is particularly important where administrative capacity is limited. In Mozambique, for example, legal provisions in favor of adverse possession provide immediate security to occupants independent of the government’s limited capacity to survey and record such rights. Outside investors who want to obtain unoccupied land have to negotiate with neighboring communities, something that can effectively avoid land grabs and at the same time ensure that local communities derive net benefits from such investment (Negrao 2002). Respecting occupants’ rights and making oral evidence admissible as proof of such rights has also proven to be critically important for a speedy transition toward stability at reasonable cost in postconflict situations, for example, in Cambodia, where any other system would have been infeasible. In instances where the same plot may be subject to complex and multiple layers of rights, slow maturing of possession into a fully recognized legal right can have equity and efficiency advantages and be much preferable to drawn-out and costly court proceedings.

The privatization of enterprise land and state farms in Eastern Europe and the CIS provides an example of the various pitfalls and consequences of government ownership of land. Most of these countries traditionally issue separate titles to land and buildings, and many are only now starting to privatize land, years after they began privatizing buildings on the land. The most pressing legal issue is to define the land to which building owners are entitled. Even though such land is currently subject to serious mismanagement (Kaganova and Nayyar-Stone 2000), local governments perceive land ownership as a critical...
revenue source that is more predictable than taxes, and in addition generally use their authority over such land to impose often arbitrary land use regulations. As a result, political opposition to eliminating public land ownership is strong, and given the insufficiency of the leases to provide a basis for investment, much of this land remains seriously underutilized, similar to much of the rural land in a number of countries (see box 4.6).

In countries with a history of collective land exploitation, the transfer of land to individuals is in many instances impeded by the fact that the land may have been used as collateral for loans, often to previously collective enterprises, that have not been repaid. To address this issue, it will often be necessary to combine the transfer of land rights from the state to individuals with a comprehensive debt workout. Although the details of such an arrangement will depend on the case at hand, experience shows that the social benefits from such an arrangement, in terms of increased investment and the ability to impose a hard budget constraint in the future, are often more than enough to quickly outweigh the costs of a write-off of part of the debt (Csaki and Lerman, 2000).

In many countries governments “own” considerable amounts of land in peri-urban areas, where high population density and rising land values imply high land values and considerable demand for such land. This land is often significantly underutilized. In this case, devising

**Box 4.6 The continuing challenge of state ownership**

While the incidence of inefficiently managed state land is particularly large in Eastern European transition economies, it is by no means confined to these. In Estonia, about 75 percent of land remains under state ownership and is being used on the basis of short-term leases, which is inimical to the necessary structural transformation. In the Czech Republic 800,000 hectares remain state owned and privatization is proceeding slowly. In the Slovak Republic most of the cooperatives continue to operate as before, and average almost 2,000 hectares. State ownership of the land of former state farms is still an issue in Poland, where less than 10 percent of land is private and about 70 percent of land under the holding company APA is leased out, with 1.1 million hectares remaining fallow. In Romania about 1.7 million hectares of high-quality arable land continue to be administered under state farms. A 1999 law has removed the uncertainty about land ownership that had blocked progress, but remains to be fully implemented. In Croatia the privatization of the remaining collective structures is slow because of their size and the complexity of privatization procedures (Csaki and Nucifora 2002). While less prominent, state farms also remain a large part of the landscape in West Africa (Gueye, Ouedraogo, and Toulmin 2002) and northern Africa (Gharbi 2002).
transparent mechanisms to transfer ownership to individuals or groups can have major benefits in terms of equity and, in the longer term, in terms of investment. Where equity concerns do not dictate otherwise, auctioning such land off to the highest bidder in a transparent fashion can benefit both local governments and private investors, as demonstrated by a number of successful privatizations (Rolfes 2002). If combined with a system of land taxation, this could yield significant economic benefits. For example, in China the auctioning off of use (now ownership) rights to peri-urban land has not only opened up a source of considerable revenue for local governments, but has also significantly improved urban land use (Dowall 1993).

National and local governments tend to have the authority to override private ownership rights using compulsory acquisition procedures for the broader public benefit. Governments should do so only for clear public purposes and with prompt payment of full market value as compensation, subject to a process that protects owners from abuse, for example, involvement by the courts. In many countries, the way in which governments have used their prerogative for zoning, eminent domain, and expropriation of land have often been a major source of political discontent and have lacked transparency. The extensive use of the powers of the state to expropriate property, the lack of a procedure for due process, or the failure to pay fair compensation seriously undermine the security of individual property rights, especially in peri-urban areas where land is rapidly appreciating. This undermines incentives for investment in areas where such investment would be most profitable or needed, and often leads to the accumulation of large tracts of land in the hands of the state or well-connected politicians and government representatives.

Attempts by the state to exercise its powers of eminent domain and pay only nominal compensation for land improvements made by private users are widespread virtually all over the world. In China, village officials frequently expropriate village land for nonagricultural uses, often factories, in the “public interest” or to rent out village land for use by nonvillagers. As the village owns the land, current users do not receive any compensation, even though the officials often derive handsome personal gains. A survey found that such practices affect about 20 percent of villages, that this practice is increasing rapidly, and that little consultation takes place with the villagers who have the primary right to the land. The pervasiveness of the practice led to a policy document that identifies it as one of the principal dangers to the integrity of landholdings at the village level and emphasizes that village authorities do not have the power to expropriate village land

Unregulated expropriation can affect governance and reduce efficiency and equity

Limiting discretionary bureaucratic behavior is particularly critical in peri-urban areas
Where externalities exist, limits on individuals’ land use decisions are justified (Li 2002). In Africa the taking of land by governments with minimal or no compensation is a key reason for landlessness in peri-urban areas (Kasanga and Kotey 2001; Kironde 2002). Anticipation of government expropriation often leads to informal land sales from the poor to richer and more influential entrepreneurs who can better protect their rights or obtain compensation in advance of expropriation. As prices charged are only between 10 and 20 percent of the market price when the risk of expropriation is high, this implies a significant transfer of resources from the poor to the rich (Kironde 2002). In Mexico users are unwilling to wait for expropriation with relocation or low compensation, but try to preempt it through by selling their land in the informal market, thereby contributing to further expansion of unplanned and informal settlement. This considerably increases the cost of providing infrastructure and services (World Bank 2002b).

Land Use Regulation and Zoning

Even though direct management of land through government agencies has rarely been effective, there is a clear role for government to ensure that resources that embody broader social and cultural values and benefits, such as landscapes, biodiversity, historic sites, and cultural values, will not be irreversibly destroyed by myopic individual actions. Furthermore, public action is warranted to reduce undesirable externalities and nuisances, to provide incentives for the maintenance of positive external effects such as hydrological balances, and to facilitate cost-effective provision of government services. Ensuring that these goals can be met will first require attention to the nature of property rights and associated enforcement institutions, but can also involve the adoption of specific regulations. Environmental effects can often be internalized if property rights are designed in a way that encourages prudent management of natural resources, for example, by awarding property rights to groups that will be able to internalize the externalities arising from land use; by strengthening the capacity of these groups for collective action; or by making award of property rights, either to individuals or to groups, subject to certain restrictions or rewards for desirable behavior.

Governments employ zoning regulations to assign specific uses, or prohibit particular uses of certain lands, to overcome environmental and other externalities that would not be internalized if pure market
forces were to determine land use. For example, local jurisdictions can use zoning regulations to prevent undesirable externalities, including cutting forests, converting agricultural land to specific uses (for example, industrial), or erecting specific types of buildings on a plot. In urban areas the objective of zoning is to prevent commercial or industrial activities from locating in residential areas and creating noise and pollution, to avoid congestion, to provide environmental benefits such as green space, and to preserve historical sites, views, and neighborhoods. Systems for zoning are also routinely used to lay out town plans and thereby facilitate orderly development and effective service provision. With the exception of establishing protected areas to serve environmental needs, zoning is more likely to be justified in urban and peri-urban than in rural areas (Brandão and Feder 1995), where the main focus is on regulatory intervention to avoid negative externalities from land use. In general terms, the purpose of government regulation is to enforce the rights of the broader public to environmentally acceptable land use against the rights of landowners to exploit the land for private benefit. Zoning standards will impose compliance costs, and should therefore be imposed only in cases where there is a clear external benefit or where negotiation and the imposition of restrictions at the community level would not yield the desired outcome.

In general, zoning is justified if negative externalities need to be reduced by more than the cost of zoning enforcement. This is likely to be the case if externalities are large, if policy instruments to deal with them are available, and if an apparatus to implement these instruments impartially exists (Malpezzi 1998). As earlier discussion illustrates, implementing regulation is never costless, and in developing countries in particular is likely to add to the demands placed on scarce administrative capacity. This implies that the requirements for implementing specific regulations must be matched to the available institutional and enforcement capacity. Where the state aims to regulate land use to avoid externalities and provide public goods, interventions should thus be based on broad and well-informed discussion of the costs and benefits and their incidence and a critical assessment of the state’s capacity and comparative advantage to actually perform such a regulatory function. The latter is particularly important, because bureaucrats often tend to underestimate the scope for communities to establish and police standards locally based on voluntary cooperation. Indeed, in many instances, especially in rural areas, the government taking control has proved to be less effective and efficient, if not outright disastrous.
than control by those directly affected (Curtis 1991). Investigators have documented that nationalizing forests previously governed by local user groups in India (Jodha 1996), Nepal (Jodha 1996), Niger (Thompson and Wilson 1994), and Thailand (Feeny 1989) has had often ambiguous effects on equity as well as efficiency. The imposition of state control over pastoral resources was relatively ineffective and may have contributed to open access situations (Ngaido and McCarthy 2002). Governments should therefore focus on issues that will not be adequately tackled either through markets or through community action at a more informal and voluntary level.

In any given situation, the costs of imposing certain zoning regulations, which will not be independent from the availability implementation capacity, should be clear to those who are involved and will eventually have to bear them as well as to those who make the decisions, and these costs should be allocated in a way that is perceived as fair. Evidence illustrates that failure to analyze the cost in advance can easily imply that well-intended regulation will end up hurting the poor. For example, restrictions on the conversion of agricultural land at the urban fringe are often inconsistent with the need to make land and services available for urban expansion at a reasonable cost. This has considerably increased land prices in peri-urban areas and driven land sales in these areas into informality, at a significant cost to the poor. For example, in Malaysia inappropriate zoning standards are a primary cause for housing prices being significantly above the costs of production. Recognition that this is likely to be a particular burden to the poor prompted the government to offer subsidies to this group as partial compensation. Evidence suggests that this has been costly and ineffective, and that the poor were more likely to choose informality (Malpezzi and Mayo 1997). The inverse relationship between informality and the imposition of regulations is also evident from India, where estimates put the size of the informal sector at 55 percent in Mumbai, where land markets are highly regulated; 40 percent in Ahmedabad; and only 22 percent in Bangalore, which has significantly fewer standards and restrictions on land markets (Durand-Lasserre and Royston 2002b).

Another frequent application of zoning is the declaration of certain places as parks, forests, or protected areas, which is associated with the prohibition of agricultural cultivation, and in addition precludes the acquisition of private property rights to such land. To avoid protecting areas with limited environmental value at a huge administrative expense, ways to quantify the costs and benefits of protection will be needed.
(Deininger and Minten 2002). In cases where land is already owned by individuals or a group, the use of market substitutes, for example, through payments for the provision of environmental services, can provide an alternative to achieve the desired outcomes at low cost.

Where zoning is justified, regulations should be clear, predictable, and easy to implement. To be effective, government regulation needs to be matched by constraints on official discretion, transparent and effective rules, and formal and informal mechanisms for appeal and dispute resolution. Ensuring that regulations regarding land development are well justified is particularly important in developing countries, where both enforcement capacity and the ability to pay by those demanding housing is more limited. For example, in Africa overly rigorous permit systems impose large transaction costs and delay private investment, generate price distortions, breed corruption, and undermine governance (Mabogunje 1992). By contrast, a lack of regulation can greatly increase uncertainty over land rights if it gives rise to ambiguity and bureaucratic discretion. In a number of Eastern European countries, for example, lack of clarity about regulations pertaining to peri-urban land has considerably slowed the overall process of land privatization (Butler 2002). Economic preferences are often imposed in the guise of physical planning, thereby inducing corruption and interference in economic decisionmaking. This is particularly important because states have all too often used the need for appropriate land use regulation, especially in peri-urban areas, as a pretense to impose state ownership of land or other ambitious undertakings. When discretionary power was transferred to corrupt bureaucrats, this has often made landowners decidedly worse off, without clear benefits to society.

Zoning and other land use regulations should be established based on a clear assessment of the capacity needed to implement them, the costs of doing so, and the way in which both costs and benefits will be distributed. Failure to do so has often implied that centrally imposed regulations could either not be implemented with existing capacity, that doing so was associated with high costs that were predominantly borne by the poor, or that they degenerated into a source of corruption. Too little thought has often been given to providing mechanisms that would allow local communities to deal with such externalities in a more decentralized, and therefore a less costly, way. To facilitate this, it is essential that local governments have sufficient capacity and are aware of the advantages and disadvantages of different approaches. A gradual devolution of responsibility for land use regulation to local governments, if
coupled with capacity building, could make a significant contribution to efforts toward more effective decentralization. Eventually, the decision on whether to impose land use restrictions is clearly a political one, and it will therefore be important to clarify the costs and trade-offs involved and to set priorities among competing objectives so as to maximize their contribution to overall welfare. The principle of having correspondence between the costs and benefits of zoning regulations implies that to the extent that the externalities are of a local rather than a global nature, land use planning and development control, like property valuation and taxation, should be at the discretion of local authorities.16

**Putting Land Policy in Context**

The analytical discussion in the previous chapters, as well as evidence from qualitative studies, demonstrates that insofar as the rules governing access to and the distribution of the benefits from one of the economy’s main assets, land policy is important for poverty reduction, governance, economic growth, and environmental sustainability. This importance is often not reflected in countries’ development strategies, where reference to land is either tangential or lacks specificity (Gueye, Ouedraogo, and Toulmin 2002). To be effective as an instrument for reducing chronic poverty and creating the preconditions for sustained long-term growth, the emphasis on delivery of basic services that characterizes much current thinking on development will need to be complemented with attention to more deeply rooted structural issues. This implies that factors related to tenure security, broader land access, and appropriate regulatory activity by the state discussed in this report will have to be translated into policies and programs within the context of specific countries. To do so, two principles are key. First, the long-term nature of the issues at stake will require a strategy that integrates actions in the legal, institutional, and policy arenas, taking into account the impact of other policies on land access and use wherever appropriate. In this context, key land policy indicators can have an important function, both for problem analysis and to measure progress toward achieving overarching policy goals and make comparisons across different countries. Second, even if addressed in a very technical fashion, land issues will always be highly political. It is therefore essential, especially in view of the wide range of stakeholders involved, to build local capacity to conduct policy dialogue and analysis.
Establishing a Land Policy Framework

In view of the wide variation of conditions across countries, it is impossible to implement “patent recipes” without an awareness of local conditions. Doing so can result in ad hoc interventions that can have serious negative impacts. For example, if the legal basis is inadequate, modernizing land administration institutions and land records may be of doubtful value. Issuing titles in the absence of a clear legal framework or in an environment where institutional responsibilities are not clearly delineated can easily increase rather than reduce conflict and may even become a source of higher tenure insecurity. Finally, where access to land is highly dualistic, property rights are insecure, information available to participants is scant, and access to institutions is wealth-biased, the activation of markets can easily bring about socially undesirable land concentration. The potential for such undesirable outcomes, together with the complexity and politically controversial nature of land issues, implies that the establishment of a land policy framework to guide the sequencing of specific interventions in the sector can have multiple benefits in generating consensus, helping to prioritize actions, and (by ensuring participation in the implementation and monitoring of these interventions) avoiding costly errors.

Given the long-term nature of interventions in the area of land policy (see box 4.7 for an example from Ghana), integration into the broader development strategy is particularly relevant to provide a basis for relating land policy to other interventions. Experience from Eastern European transition economies illustrates that having land markets function and contribute to greater productivity will be impossible if land rights are not well defined. Indeed, liberalizing markets in situations where either land rights are ambiguous or other markets do not function well has historically been one of the main facilitators of land grabbing. Clarifying land rights early on in the reform process, even if done in a very gradual manner as in China and Vietnam, is also important, because subsequent improvements such as infrastructure will be capitalized in land values, thereby tending to cement existing ownership relations. As sacrificing quality for quantity is not desirable either, low-cost methods of land registration are often sufficient initially and can be complemented by a more elaborate procedure at a later stage.

In line with the broad topics discussed earlier, an overarching framework for land policy should address (a) the property rights to land and tenure security and its impacts, (b) the scope for accessing land and the functioning and impact of market and nonmarket channels, and (c) the
THE GOVERNMENT OF GHANA’S LAND POLICY, which it elaborated over a period of about two years of policy discussion, illustrates the type of issues to be tackled in such a strategy. These include:

- **Reviewing the legal situation with a view to endorsing pluralism.** Customary owners control about 78 percent of the land, with the remaining area owned by the state either directly (20 percent) or indirectly with the state holding legal interests and the community holding beneficial interests (2 percent). This implies that no land policy can afford to neglect the issue of customary tenure, something that is reinforced by the fact that in many areas the state does not have enough institutional presence or resources to fully assume responsibility for the multitude of functions associated with land administration. This would imply that the best option would be to focus on a regulatory role and leave implementation to customary institutions and the private sector.

- **Privatizing government land that is not needed.** Eliminating state ownership over vast tracts of urban and peri-urban land that the government is unable to develop would not only remove a major impediment to increased investment, but would also send a powerful signal and stimulate the development of the private sector. In cases where charging for this land will not have a negative equity impact, the money gained would be used in part to compensate those whose lands had been expropriated in the past without proper compensation. At the same time, land revenue that is currently paid to central or local governments would be re-assigned to customary owners in return for them assuming essential functions in transparent and accountable land administration and management.

- **Ensuring security of tenure.** Preconditions for secure title are systematic registration of allodial (root) title, adequate education of communities, and registration of all group members holding a beneficial interest in land (as opposed to just the leaders, who may then be able to dispose of the land without the knowledge of other group members). This will go a long way toward ensuring investors’ confidence in the land sector.

- **Ensuring access to land.** The agricultural system is still largely effective in guaranteeing access to land, but in urban areas the powers of compulsory acquisition need to be curtailed. All disposal of public land has to be done in the open market, and compulsory acquisition has to be strictly circumscribed to the public interest. Adequate and prompt compensation, resettlement for those displaced, and a right of preemption if the land is not used as designated are not guaranteed. All surplus acquired land should be returned and past compensation claims should be settled (probably as annual rents or by using equity shares).

- **Restructuring land institutions.** The institutions dealing with land are overstaffed, underpaid, and have a reputation for lacking transparency. The land policy envisages bringing them together under one independent commission responsible for assuring title and managing public land that would be fully self-financing to ensure autonomy from political pressure. Also the management of community lands and revenues, which is currently one of the functions of the public sector at the central level, would be discontinued and given back to communities. At the same time, mechanisms to monitor the performance of traditional institutions and hold them accountable to specific standards would be established.

- **Increasing community involvement in managing forest reserves.** This would reduce state intervention in the management of these resources and instead increase communities’ stake in promoting long-term, sustainable management.

**Box 4.7 Ghana: an example of a comprehensive land policy**

Source: Adapted from Kasanga and Kotey (2001).
broader regulatory framework governing land and related sectors. Box 4.8 contains a series of questions and quantitative indicators. Most of the information needed should be available either from standard household surveys or can be included at little cost if it is not, or from administrative records. Even though not all of these will be relevant in a given situation and others might need to be added, they can provide a useful frame of reference, as well as a tool for initial analysis and a basis for discussion among stakeholders, in addition to permitting international comparison across countries. In doing so they can help to obtain consensus on the most urgent measures and generate backing for implementing specific policy measures. Building a strategy based on these indicators will also provide a foundation for monitoring to assess the extent to which specific policies have the desired effect and contribute to overarching policy goals. In this context, capacity building, piloting, and further research will all help to monitor and gradually refine indicators as implementation proceeds.

Even though linking land policy to the broader policy environment and sequencing interventions in light of an overall strategy are important, the formulation of a policy framework must not be an excuse for inaction. Indeed, the initiation of pilot activities often permits confronting vested interests and initiating a meaningful policy dialogue. To prevent such dialogue from degrading into a repetition of familiar prejudices, it should from the beginning be combined with the implementation of pilots and their careful and independent evaluation (or the conduct of field studies) to inform the debate. This is particularly important, because implementation of the general principles identified earlier in any given context will require that they be adapted to the specific legal and institutional context prevailing in a given country. To maximize the learning effect from pilot projects they will have to be designed appropriately and in a way that resists the temptation to use anecdotal evidence rather than rigorous evaluation to measure success. Careful design and rigorous evaluation of pilot activities generate benefits beyond the country conducting the pilot, and such pilots would therefore be an appropriate area for international funding.

Pilots can be important in situations where, even though agreement on the problem to be addressed has been reached, the benefits and costs of certain actions are not well established, or where debate about the specific approach to be taken is ongoing. Pilots can test different approaches in parallel, thereby providing input into the policy discussion as well as evidence about the extent to which a specific approach can be implemented in a given situation and can help evaluate the impact of specific measures before progressing to large-scale implementation.
INDICATORS THAT CAN BE USED TO MEASURE THE performance of institutions and the extent to which policy is contributing toward overall objectives are of great relevance to demonstrate that progress is being made toward meeting certain policy objectives over time and to facilitate comparison across countries. Although not all of them will be relevant in any given situation and the list is by no means exhaustive, a number of criteria and indicators that can serve as a reference and starting point to assess the need for more in-depth investigation in each of the main areas discussed in this report follows:

**Tenure security.** What is the overall amount of land held under different, formal and informal, tenure regimes and what is the tenure security associated with each of them? What is the share of land held de jure and de facto by women under different forms (individual, joint, and so on)? What share of parcels and of the total area are formally registered? What is the cost in terms of time and money for landowners to register a plot of land under different tenure systems? Are institutional responsibilities clear? What is the subsidy element involved and how does this compare with the value of the land? Are the rights of indigenous people or herders appropriately protected? How important is land as an asset and a source of livelihood for the poor? What is the inequality of the ownership or operational distribution of land? How much land in rural or urban areas (public and private) is informally occupied by squatters? What are the costs and mechanisms that allow squatters to obtain recognized property rights? What is the number of land conflicts, where are they concentrated, and how many new conflicts arise each year? How long does resolving a “typical” conflict take, what are the obstacles, and are solutions considered to be fair? Are mechanisms of appeal available? How much land does the state hold, what is the justification for such landholdings, and what mechanisms could be used to divest such land?

**Markets and productivity.** What share of land is transacted annually in sales and rental markets? How do prices for different types of land compare with each other and with the profits from agricultural cultivation? Are prices of past land transactions available to interested parties or the public? Is mortgage financing for land acquisition available? Is inheritance regulation unfavorable to women? Is there evidence of undue fragmentation, and if so, what are proximate reasons and suggested remedies? What are interest rates and other requirements? Are rents controlled, and if so, what is the share of land to which such controls are applicable? What is the level of informal land transactions? Is a land reform program in effect? Are there administrative restrictions on land sales or the prices to be paid in such transactions? If so, what are the mechanisms used and how much land has been transferred at what cost to how many beneficiaries over the last five years? What is the cost (in terms of fees, other monetary expenses, and time, absolute and relative to the value of the land) to register a land transaction and to subdivide land? What are the prices of average pieces of land under different tenures in rural and urban areas?

**Regulatory framework.** What is the land conversion multiplier and the price ratio of agricultural to non-agricultural land? Are big price differences apparent between different types of land that cannot be explained by differences in inherent quality characteristics? What are the tax rates on agricultural land, who has the authority to set them, who receives the money, and how much of the potential revenue is actually collected? How much of the land base is state owned and how does its productivity compare with that of comparable privately owned land? Are maps and cadastral and registry information readily available and at low cost to those who request them? What is the share of costs recovered from fees for service? What percentage of the land is held as collateral by financial institutions, and how much of it is in default? How long does it take a local or a foreign investor to get a permit in rural areas and in urban ones? How long does it take (and what does it cost) to register a mortgage? Can creditors foreclose on property that is in default? How long does it take to complete the process, what is the cost, and what is the likely price that a creditor is going to obtain in a forced sale?
Well-designed and thoroughly evaluated pilots can be particularly useful to identify mechanisms and procedures (including the provision of legal assistance) appropriate for land regularization in a given context. They are likely to be essential to develop approaches to informally resolve conflict that are adapted to local realities, and are therefore effective. Similarly, even though strengthening women’s land rights is an imperative that does not appear to lend itself to pilot approaches, the earlier discussion illustrates that large gaps are often apparent between the intention of laws and their actual impact. This implies not only considerable scope for monitoring in general, but also that evaluating specific instruments to improve women’s rights, including awareness campaigns to inform women about their rights, may be appropriate. Another area where pilots to close gaps in knowledge concerning appropriate policy interventions would be suitable revolves around instruments for pro-poor land administration, in particular, means to protect and manage the rights of occupants at low cost at the local level. The same is true with respect to mechanisms that could help redistribute land through market and nonmarket channels.

**Aspects of Process and Political Economy**

Initiatives in the area of land policy entail institutional and other changes that will almost inevitably have to confront powerful vested interests, making it essential that they be based on solid analysis that is backed by local capacity and a broad policy dialogue. In cases where the focus of land policy has shifted or where little attention had been paid to land issues in the past, building the capacity to move ahead with implementation will be critical. This is particularly relevant where existing land institutions have been established under different circumstances and may be too fragmented or not have the skills needed to respond effectively to the requirements of an agreed land policy that enhances tenure security, provides broad access to land, and uses government regulation to prevent externalities and provide public goods. In many cases this will include a decentralization strategy and involvement by the private sector, local governments, and other stakeholders to ensure that the strategy addresses the appropriate concerns in an analytically justifiable way.

While the earlier discussion has already addressed many of the substantive principles that are important in developing a land policy...
Building local capacity is essential framework, the process of going about this task is likely to be equally important. Examples show that the process of consensus building, which includes the private sector, NGOs, and academics, in addition to government representatives, is extremely important, both for the ability to implement and to identify priority activities in light of existing budget constraints and links to a poverty reduction strategy. The importance of a policy dialogue to gain political acceptance can be illustrated by comparing the cases of Colombia and Mozambique, both countries where conflict related at least partly to land played a major role. Post-war Mozambique had to repatriate about 5 million refugees and, more important, increase communities’ rights to the land while at the same time helping to foster investment. To achieve this the government initiated a broad and participatory process that led to the formulation of an innovative law that has contributed significantly to the re-establishment of peace and broader economic development (Tanner 2002). By contrast, in 1994 Colombia passed a land reform law with little public discussion. As a consequence, finalizing the most basic regulations took almost three years, making the required institutional adjustments was impossible, and during 1995-97 a large amount of resources and political capital was spent on implementing a law that was poorly suited to realities on the ground (Gruszczyński and Jaramillo 2002).

The need to adapt land policies to the socioeconomic realities of a given situation implies that local capacity, both technical and socioeconomic, is an essential element in any process of policy reform that no amount of foreign technical assistance will be able to substitute for. Support to establish the necessary technical expertise poses considerable challenges, especially in a decentralized environment with rapidly changing technology, and constitutes an area where broad international support will be appropriate. The example of the United Nations Working Party on Land Administration in Eastern Europe illustrates that considerable advances can be made even within a short time frame. At the same time the need to complement technical skills with expertise on social, financial, legal, and economic issues, depending on the specific context, is likely to increase. This capacity building could include providing knowledge about land valuation and taxation; running legal literacy campaigns; and training local bodies in mediation and informal conflict resolution, land use planning, and basic economic concepts. Even though the specific approach to land issues will need to be country specific, sharing experience on common elements can add considerable value and enrich the policy dialogue.
Conclusion: Continuity and Change since 1975

This report documents the evolution of thinking on land policy and some of the emerging areas of consensus. Highlighting how the experience gained during recent decades has expanded the scope of land policy compared with the World Bank’s (1975) Land Reform Policy Paper permit demonstrating these changes and at the same time identifying challenges for the future, both in terms of the general relevance of land issues, and more specifically in the areas of land tenure, land markets, and land access and use. Such challenges arise both in terms of implementation and in identifying areas where evaluation of past and emerging experience could help improve knowledge and the ability to design more appropriate interventions in the area of land policies.

While development practitioners have long recognized the importance of property rights and land policy for long-term development and poverty reduction, recent research and operational experience, as illustrated in this report, have improved understanding of these issues in ways that are highly relevant for policy. Research has improved our understanding of the links between the distribution of assets, the channels for accessing land that are open to households and entrepreneurs, and longer-term economic and social development. These links include not only the scope for investment and access to other markets, but also the empowerment of the poor and their resulting ability to have their voice heard and to hold accountable local institutions that often derive much of their power from the ability to control access to land. Recent research also indicates the potentially far-reaching impact of insecure tenure, inequality in land access, and ill-functioning land and factor markets on a wide range of development outcomes and some of the channels through which such impacts may come about.

Other areas that were not covered in the 1975 paper include the relevance of land for broader social conflict, the need to pay particular attention to the vulnerable in designing and implementing land policy interventions, and the broader repercussions of the design of land-related institutions on governance and the accessibility of government services. This implies that despite the historical and institutional complexity of land issues and the long-term nature of any programs to deal with them, interventions in the area of land will have far-reaching implications and a narrow focus on only one or two policy instruments may not be appropriate. Evaluation of the wide variety of innovative approaches that have been implemented in different places and at different times can be utilized in a
Different ways to increase tenure security have been recognized. More systematic learning from the successes and failures of the past could probably help to save considerable amounts of resources, while at the same time facilitating the policy dialogue, especially across countries. At the same time, support for strategies to implement new land legislation and careful monitoring of the impact these have on governance and social capital, provision of public goods, and private investment at the local level could provide interesting insights regarding the broader impact of land tenure arrangements.

Tenure security, one of the key goals of public land policies, can be achieved under different modalities of land ownership. Instead of an often ideological stance in favor of full private ownership rights, long-term secure and transferable leases will convey many of the same benefits to owners and may be preferable where full ownership rights and titles would be politically controversial or too costly. Also, in the past land policy interventions often paid too little attention to protecting the rights of women and the vulnerable. Failure to do so can have negative economic and social consequences. Rather than striving to “modernize” the institutions that manage land rights at the local level, building on, and where needed adapting, existing ones is often more effective and efficient. This implies not only paying greater attention to existing institutions, but also emphasizing dissemination and assistance to create awareness and to help people exercise their rights, even where a good legal basis is available. A greater focus on local institutions is also warranted because, in some instances, central government institutions managing land rights have developed into a source of ambiguity, corruption, and red tape. As reforms will run counter to powerful vested interests, local technical and socioeconomic capacity to help support them is essential. Financial sustainability is required to make the institutions administering land rights contribute effectively to secure tenure and, through low-cost implementation, the long-term sustainability of the land administration system. While the earlier report did not deal with institutions, it is now recognized that failure to do so can jeopardize implementation and should therefore be avoided.

Land issues often become most acute in peri-urban and urban areas. Because the same regulatory and institutional framework will apply to rural and urban land even though modalities of implementation may vary, separation between the two is frequently difficult to justify, and approaches now often deal with both simultaneously. Better definition of property rights to reduce uncertainty can make a significant contribution.
to enhancing the functioning of markets, reducing the scope for discretionary bureaucratic intervention, and improving the climate for private sector investment. Better evaluation of innovative approaches that build on these conceptual advances would include in-depth assessment of the effect of formal recognition of women’s land rights on their ability to assert their interests in intrahousehold bargaining; their vulnerability and risk-coping options; and their propensity to make land- and nonland-related investments, for example, starting businesses, and to accumulate and transfer human and physical capital across generations. Similarly, the broader impact of land-related policies and legislation on economic and social outcomes and the interaction between different types of interventions in bringing them about needs to be reviewed.

Considerable conceptual advances have also been made in relation to the operation of land markets and their impact. The experience of transition economies demonstrates that markets are complex institutions that do not emerge automatically, and that even where they can be made to work well, they are not an end in themselves, but should contribute to broader social goals. Through its macroeconomic policies, the legal framework, and the institutions to implement it, government plays a critical role in creating the conditions and incentives within which markets operate. At the same time, a long history of failed interventions in land sales and rental markets has illustrated that in most cases the best contribution government can make is to provide secure land rights, reduce the costs associated with land transactions, provide infrastructure to eliminate credit market imperfections, and offer safety nets to avoid distress sales. This has a number of implications.

Overemphasis on sales markets compared with rental markets is unwarranted. Given that wealth constraints and credit market imperfections pose considerable barriers to land access by the poor, relying on sales markets as the primary means for land access would be inappropriate. Rental markets are more important quantitatively and can make an important contribution to productivity, and often to poverty reduction as well. Steps to increase tenure security and reduce transaction costs through standardized contracts and better means of enforcement and dispute resolution and more systematic dissemination of information will be critical to fully realize the potential of rental markets and facilitate the emergence of long-term contracts.

Where administrative restrictions on the functioning of tenancy persist, there is a strong case for better documenting the economic losses, especially for the poor, that such restrictions are likely to cause, and for
Governments have a role in ensuring effective land use

identifying opportunities to eliminate such barriers that are beneficial to all parties—for example, by combining policy reforms that would improve the opportunities for rental markets with explicit recognition of the rights acquired by sitting tenants and an improvement of tenure security for both landlords and tenants. Direct government intervention in markets to bring about “desirable” outcomes is rarely effective, but tends to weaken property rights and decentralized land transactions. It also encourages bureaucratic discretion, which will reduce not only the confidence of private investors, but in most cases be particularly inimical to the poor who will be least able to afford the added costs thus created. In situations where land rental markets work well and demand for sales markets is unsatisfied, steps to ensure access to financial markets, including the use of assets other than land as collateral, could help reduce the need for distress sales and provide potential buyers with the necessary liquidity. Encouraging land sales markets can take various forms, ranging from taxing land and promoting the functioning of markets to providing direct grants for establishing small production units or expropriating non-productive land (with compensation).

Even though our understanding of the way in which land rental and sales markets operate has improved, the equity benefits from land access through rental markets, the obstacles faced in the process, and the possible long-term impact of such access remain imperfectly understood. Assessing the impacts of land access and ownership on household welfare, the circumstances under which land rental can be an effective tool for poverty reduction, and the scope for renters to make the transition to owners is important. More systematic assessment and quantification of the potential for government policy to activate rental markets and to help to prevent socially and economically undesirable results, and of the potential advantages of eliminating such intervention in cases where it does not provide such benefits, is needed. Where real incomes are relatively high and increasing, but where land ownership remains highly fragmented, many think that projects aimed at land consolidation will be justified. Careful evaluation of the costs and benefits of experiments involving flexible and low-cost market and nonmarket approaches to consolidation is of great interest.

In situations where a combination of historical processes and policy distortions has led to a land distribution that implies substantial under-utilization of productive economic resources, the operation of markets alone will not provide the poor with access to land at the level and speed required to deal with deep-rooted problems of structural backwardness
and deprivation. Where land and other policies have discriminated against specific groups in the past, actions to empower the poor by providing them with equal access to economic opportunities will be justified.

Given the multiple channels through which a highly unequal distribution of land ownership can reduce economic and social development and the immediate welfare and productivity benefits that can often be derived from measures to transfer land from large, unproductive holdings to small producers, government involvement to hasten such restructuring can be justified as an investment in a country’s long-term future. This has led the World Bank to provide loans, based on a case by case approval, for use in land redistribution efforts that are targeted toward the poor and can be shown to have a clear productivity benefit.

Note that such interventions constitute investments that can yield direct and indirect economic benefits in the form of more intensive land use, higher productivity, and greater incomes for beneficiaries. Where these benefits can be demonstrated and are shown to be superior to alternative options, and where transparency in beneficiary selection is ensured, there is no reason for outside donors not to support such interventions both technically and financially. In addition to their important role in helping to adjust operational approaches toward redistributive efforts that use land as a catalyst for improving beneficiaries’ welfare, such evaluation is also likely to provide significant insights into the broader role of access to land and other assets as a means of overcoming poverty. In relation to the benefits and costs of helping landless or tenants make the jump to landowners, a number of programs of redistributive land reform can provide evidence that would facilitate a comparison of different approaches, while longitudinal evidence on past beneficiaries of land reform could provide insights on the longer-term impact.

Different options for interventions to bring land use closer in line with social needs constitute a second area where a considerable amount of innovation has taken place, and where the evaluation of experience could provide insights that are likely to be of value beyond the immediate context in which such policies were implemented.

Although the focus of this report is on the substantive issues, the fact that land issues are highly country specific, of a long-term nature, and often politically controversial, implies that identifying priority areas and integrating these into an agreed long-term framework becomes essential. In view of the wide variation in conditions across, and even within, countries and regions, more work will be needed to adapt the principles identified in this report to specific contexts. This will imply
spelling out which of the various policy options will be the most appropriate; how they can be translated and adapted to a specific institutional framework; whether any changes in the legal and regulatory context will be necessary; how changes should be prioritized and sequenced; and how to devise indicators for monitoring and impact assessment that would indicate not only whether implementation keeps up with expectations but, more important, what the expected impact has been and how it might compare with outcomes from alternative strategies and approaches.

Given the complex nature, the cost, and the long-term horizon of land-related interventions, any attempt to address them in a sustainable way will have to use the synergies derived from collaboration with others. As this report documents, thinking on land policy has evolved considerably over the last decade, leading to a modification of ideological positions and a considerable convergence of opinion on basic principles among major stakeholders. The challenge ahead is to translate the emerging agreement into specific programs at the national and regional level that can be integrated into countries’ broader development strategies. The hope is that this report provides the basis for a policy discussion that would allow this, and that in so doing it will be possible to continue the spirit of open discussion and collaboration that has characterized the preparation of this report.

Notes

1. In Hungary, the use of financial rather than physical restitution has reduced the administrative requirements and delays associated with the latter. It also allowed giving priority to current occupants of land, thereby reducing the possible negative impacts on productivity.

2. In Romania, for example, the courts were inundated with real estate cases expected to take up to five years to resolve (Dumitru 2002).

3. Households plots, which emerged in the 1930s, entitle households to small plots for home consumption.

4. This would be consistent with the interpretation of land reform as a piecemeal strategy by the rich to avoid the imminent threat of revolt—with backtracking as soon as the threat weakens, as modeled by Horowitz (1993).

5. The case of Colombia, where in recent years about 75 percent of the land reform budget has been spent on the operational costs of the land reform institute and about 25 percent on acquiring land and settling beneficiaries, illustrates this dilemma (Rojas 2001).

6. Economic distortions—for instance, marketing restrictions or differential subsidies to products from large farms, as well as noneconomic interventions such as subdivision acts, that were established to maintain large farms—need to be eliminated if land reform is to have any chance of success.
7. Many land reform programs make the rights given to beneficiaries conditional on “efficient” use and impose restrictions on the ability to transact and inherit. Even if well intended, this has often given rise to politically motivated manipulation.

8. The rapid undoing of land reform by beneficiaries in many countries legally or illegally selling their properties to large landlords, often the former owners, illustrates the importance of an undistorted policy environment.

9. Fischel (2001), for example, has argued that the property tax in the United States is like a benefit tax, because taxes approximate the benefits received from local services. To the extent that this is the case, using local property taxes to finance local services will promote efficient public decisions, because taxpayers will support those measures for which the benefits exceed the taxes. Both the benefits derived from such local services as good schools and better access to roads and transportation and the taxes used to finance such services are capitalized into property values.

10. Purchase of development rights pays the landowner for the unearned increment of land values in exchange for strong deed restrictions that limit the use of the property, whereas land value taxation taxes land more heavily than improvements, thereby encouraging the development of land. While these two elements might appear to be opposing fiscal policies, they could be employed together as part of a regional planning strategy to encourage infill development within and near cities and to curb sprawl by retaining farm, forest, and ranch lands (Daniels 2001).

11. For the last year for which all data were available (1995), the highest property tax to gross domestic product ratio (4.1 percent) was in Canada, followed by the United States (2.9 percent) and Australia (2.5 percent). That all three are rich federations is unlikely to be a coincidence.

12. A minimum rate would be desirable to avoid tax competition whereby rich local governments with a strong tax base reduce rates to attract businesses, while a maximum rate would help to avoid tax exporting, that is, the levying of high tax rates on industries in the belief that the tax burden will ultimately be borne by nonresidents, thereby severing the connection between taxpayers and beneficiaries (Boadway 2001).


14. Better definition of some land reserves, but also the emergence of civil society and of improved democracy at the local level, were conducive to such progress (Durand-Lasserve and Royston 2002b).

15. In Eastern Europe and the CIS, where state land still makes up a large share of the total, the management of such public property is often highly inefficient, often without any integrated strategy or policy, and is undertaken by multiple agencies and without performance indicators. This causes not only economic and financial losses to the public sector, but also distorts real estate markets and, by creating artificial scarcity of land in areas where demand is high, contributes to inefficient spatial development. Identifying good practices and ensuring that managers of public assets implement them is therefore extremely important.

16. We therefore do not deal with global externalities even though some interesting issues are involved. These include protecting fragile environments that, through various channels (biodiversity, hydrological flows, carbon sinks) provide local or global public goods. Indeed, a number of innovative mechanisms, such as tradable permits, now permit achieving environmentally sustainable outcomes in a decentralized way rather than through direct government intervention.
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