

Introduction

ACCCESS TO LAND AND THE ABILITY TO MAKE productive use of such land is critical to poor people worldwide. In addition to its direct effect on households' welfare and their strategies for risk coping, together with other factors, the system of land tenure will also affect the scope for the emergence of markets and the structure of governance at the local level. Over the last decade de-collectivization in Eastern Europe; legal and other action to overcome the legacy of colonial administration in Africa; and a mix of structural and macroeconomic reforms, de-collectivization, and postconflict situations in Latin America and Asia have all contributed to increasing the importance of land tenure, land markets, and effective and sustainable governance of the land resource. This importance is reflected in a growing and increasingly sophisticated body of research that goes to great lengths to adopt a methodological approach that does justice to the topic, and can therefore lead to policy recommendations that take the complexity and the politically controversial nature of the issues at stake into account. As insufficient communication of the results from such research to decisionmakers and other interested parties has often given rise to misunderstandings, this report aims to summarize available insights in a form that is relatively easily accessible; to present general recommendations; and to illustrate how these could be translated into specific, real-world situations.

The Relevance of Land Rights

ACCCESS TO LAND AND THE ABILITY TO EXCHANGE IT WITH others and to use it effectively are of great importance for poverty reduction, economic growth, and private sector investment as

well as for empowering the poor and ensuring good governance. Even though the nature of the issues at stake varies considerably across regions and countries, the last decade has seen a tremendous increase in the demand for policy advice on land. Two reasons underlie this phenomenon. First, stakeholders are now more aware of the need to complement macroeconomic policies with attention to structural issues if the desired response to greater economic opportunities is to be forthcoming. Structural characteristics will affect the way in which the benefits of other policy interventions are distributed among the population and different groups' incentives for long-term investment in physical and human capital. Addressing these issues is critical to ensure that such opportunities will indeed benefit the large majority of the population. Second, policymakers now better understand the shortcomings of past approaches to land policy.

Even though land markets are no longer considered to be exploitative of the poor, poorly designed land market interventions and regulations continue to hamper the development of land markets in many parts of the world. This directly limits access to land by the landless and poor in rural and peri-urban areas and, to the extent that it discourages renting out by landlords who are therefore unable to make the most productive use of their land, reduces productivity and investment. High transaction costs in land markets can also either increase the cost of providing credit or require the costly development of collateral substitutes, in both cases constraining private sector development. The far-reaching impact of distortions is, for example, illustrated by a recent study that estimates that taking both direct and indirect effects together, land market distortions reduce the annual rate of gross domestic product growth in India by 1.3 percent.

Empowerment of the Poor and Governance

Historically, the imposition of systematic barriers preventing the poor from accessing land has been a key strategy for limiting the scope for their economic advancement. The ensuing legacy of exclusion and extra-legality is large: in many African countries, the large majority of land (more than 90 percent on average) remains under customary tenure, which often lacks legal recognition. Informality is similarly widespread in urban areas. This is of particular concern, because in many of these countries growing populations and expanding nonagricultural demand lead to an appreciation of land values and increase the potential for land-related conflict. Recent examples from both East and

West Africa illustrate that failure to attend to such conflicts early on can, especially if land issues overlap with ethnicity and race issues, easily lead to broader social strife, including possible state failure, with devastating consequences for household welfare and economic growth.

In situations where access to opportunities and resources is insecure or is distributed in a highly unequal fashion, generating the sense of participation and belonging that researchers now generally believe is a precondition for good and democratic governance at the local level will be difficult. Where households have reason to believe that raising their voice will undermine their access to land and other resources, they are much less likely to do so. This will make ensuring consistent minimum standards of accountability and transparency extremely difficult. Similarly, many of the recent attempts at decentralization have had limited success, partly because of a lack of fiscal discipline, and partly because of limited success in giving voice to the local population and allowing them to effectively articulate their demands. In countries where land continues to be a key element of households' wealth, land taxation could be used more effectively as an incentive to motivate fiscal discipline by local governments, and by enhancing the accountability of local officials can also strengthen the voice of the local population.

Land Policy in Different Regional Contexts

A BRIEF REVIEW OF EVIDENCE ACROSS THE WORLD'S MAIN regions illustrates not only that close links exist between land policy and economic growth, poverty reduction, and empowerment, but also that during the last decade, the relevance of such policy has increased considerably for a variety of often region-specific reasons. Therefore, despite the complexity and long-term nature of land policy issues and the fact that they cut across different institutions, there is now increasing recognition that, in view of their far-reaching implications, ignoring them can jeopardize social peace and efforts at long-term, sustainable development.

Political and Social Changes in Eastern Europe

The political changes Eastern Europe has experienced during the last decade have moved property rights and privatization issues to the center of many policy discussions. Contrary to earlier expectations, the

transition from a centrally planned to a market economy has been more difficult than anticipated, highlighting that establishing the infrastructure for markets to function takes considerable time. Even in the most advanced countries much remains to be done and progress differs considerably, especially between Central and Eastern European and Commonwealth of Independent States countries. Often the failure to quickly define clear rules for land access and ownership appears to have negatively affected investment. Other countries have made considerable advances in privatizing land and, through the provision of an enabling institutional environment, in allowing landowners to make better use of land and thereby bring about much needed economic restructuring. In the future, in addition to balancing the goals of equity and productive efficiency in the process of transition, policy advice is needed on how to allow landowners to exchange their rights and thereby improve the efficiency of land use as well as the functioning of other factor markets.

Structural Reforms in Latin America

With many countries in Latin America having undergone significant economic liberalization, second-generation reforms will be required to tackle more deeply rooted structural problems, including the unequal distribution of land, if persistent poverty and destitution are to be overcome. Implementing such reforms will require formalizing the often highly informal property rights held by the poor; improving the security of tenure, and thus the functioning of land rental and possibly also of sales markets; addressing the legacy of reforms that were only partially successful; and making further efforts to redistribute land and nonland assets to the poor. Providing secure land rights and establishing clear rules to guarantee broad access and facilitate the exchange of land have proven critical in postconflict situations where land was often a key contributor to the conflict. Where local institutions that enjoy little legitimacy control access to land, this is clearly linked to broader governance issues.

Colonial Legacies in Africa

Until recently, customary tenure systems have not enjoyed legal recognition in many African countries because of colonial policies that discriminated against customary tenure, reinforced by policy advice that regarded such forms of tenure as anachronistic. As lands under customary tenure continue to account for the vast majority of rural, and often also urban

and peri-urban, land, a large part of the population has remained outside the purview of the law, with far-reaching consequences for investment, the scope for formal land transactions and credit access, and the ability to control land conflicts. In many cases the negative consequences of this lack of legal recognition were exacerbated by misguided policies to nationalize land. In recent decades some countries have realized that radical change will be needed to adapt the legal framework to current conditions. Implementation of new laws is, however, seriously lagging. Where adequate laws exist, combining their implementation with interventions to enhance the productivity of rural producers or the transferability of land in peri-urban areas is likely to have a major impact on poverty reduction, investment, and economic growth.

Combination of Situations in South and East Asia

Although South and East Asia are characterized by huge differences in economic development and in policy frameworks, the importance of land policy issues has increased in virtually all of them. Evidence of the positive fiscal and economic impact of long-term programs to modernize land administration, as demonstrated most clearly by the case of Thailand, has led to increased attention to land administration by a number of countries in the region. In South Asia, interventions to increase the security of tenants have a long tradition. The de-collectivization of agricultural production has allowed China to realize tremendous productivity gains, and policy experiments in rural and urban areas have provided the basis for a gradual strengthening of tenure security and an extension of the duration of lease rights given to households, all of which culminated in the 2002 passage of the new Land Contracting Law. Attention to land issues has also proven to be critical for equity in countries that have only recently emerged from conflict and civil war.

The Role of This Report

RESearchers across a variety of disciplines are well aware of the importance of land issues, and a large body of research has been accumulated that aims to improve understanding of land issues and the scope for and impact of specific interventions. From simple beginnings and often naïve recommendations that showed little awareness of the potential complexities of land markets,

there has been a considerable evolution and increased sophistication. As a consequence, researchers now widely recognize that in the presence of multiple market and institutional imperfections, “first-best” policy advice that was based on an ideal world of perfect markets without transaction costs and structural rigidities is unlikely to be appropriate. The need for a more cautious approach is reinforced by the fact that the patterns of land ownership, access, and use observed in most countries are not the product of the interplay of supply and demand in an impersonal market, but rather the result of political power struggles and noneconomic restrictions. All this has led researchers to frame their results carefully and to make policy recommendations that are much more nuanced and differentiated than in the past, and that attempt to take market imperfections and the presence of self-interested actors with limited information into account in any analysis and in the policy conclusions derived from it.

At the same time, the conclusions from such research have not always been sufficiently well disseminated or transmitted to policy analysts and decisionmakers. In some cases this has given rise to policy advice that, because it failed to adequately reflect the need to account for local conditions, may not have been the most appropriate for the goals of pro-poor development. The failure to communicate the results of recent research clearly or to critically evaluate innovative approaches has also created misunderstandings between different groups interested in land policy.

This report aims to summarize recent research and operational experience in the area of land tenure and to illustrate the policy implications arising from it in a way that is accessible to a broader audience. Doing so is expected to have two tangible benefits. First, by showing that disagreement on key principles is less than is often presumed, the report should make it easier to address key policy issues in this area, thereby helping to close the gap between research and practice, improve the integration of land into long-term country strategies, and focus discussion on areas where no unambiguous evidence exists. Second, by highlighting the need for policy discussion and careful evaluation to adapt general principles to local conditions, the report aims to encourage the formulation of policy advice that, by taking the specifics of any given situation into account, will harness the full potential of land policy for poverty reduction, economic growth, empowerment, and improved governance in the Bank’s client countries.