

## Module 10: Investments in Land Administration, Policy, and Markets

Land is the main asset of agricultural households in developing countries and is a key determinant of household welfare. Most land is used for agricultural production, which provides the basis for economic sustenance. Access to land plays an important role in improving agricultural productivity, achieving sustainable poverty reduction, and creating broader economic development. This overview provides a rationale for investments in land administration and reform, reviews past World Bank lending experiences, and provides guidance on new investment directions for land-related projects.

### Rationale for Investment

The Bank's 1975 Land Reform Policy Paper highlighted the importance of land access and sound land policy for poverty reduction and economic growth. Prior to the 1990s, however, the Bank's recognition of this importance was not always matched by a strong portfolio of land-related investments, and land-related operations have often been complex, underfunded, lacking in political commitment, and limited in terms of stakeholder consultation and social assessment. The World Bank's current rural strategy, *Reaching the Rural Poor*, reflects a renewed interest in, and recognition of, the broader relevance of land issues for sustainable and equitable development. The Strategy acknowledges that the efficient allocation and optimal use of land are essential precursors to broader economic growth and poverty reduction. Accordingly, the Bank is working to increase land tenure security, to facilitate the development and effective operation of land markets, and to improve access to land by promoting land reform in countries with inequitable land distribution.

#### Box 10.1 Impact of secure land tenure on poverty reduction

For smallholders, secure land tenure can play an important role in increasing productivity and reducing poverty. More secure land tenure based on formal land titles and record systems can enhance farm productivity and income by providing incentives for smallholders to make productivity-enhancing investments (a security effect), facilitate access to credit and other service and inputs (a collateral effect), and facilitate land transfers and efficiency of use (a transaction effect). A detailed study before and after land titling in Honduras estimated that the combination of these effects on productivity provided an annual rate of return of 17 percent.

Source: López 1997

For smallholders, more secure land tenure is associated with increased productivity and reduced poverty (box 10.1). Secure property rights encourage landholders to manage resources sustainably, increase the value of household endowments, and allow household members to move off-farm temporarily to improve their earning capacity. Insecure tenure negatively affects governance and economic outcomes by increasing conflicts and reducing investment in agricultural production and agribusiness development. Well-defined property rights reduce the need for landholders to expend scarce resources to maintain or defend their claims. Land reform involving the redistribution of land can be a means to correct historical injustices resulting from control of land, as well as an effective way of reducing poverty (box 10.2).

The public good elements associated with providing the technical infrastructure typically required for securing property rights, and the potential network effects associated with this activity, provide a strong rationale for government involvement in establishing the infrastructure and mechanisms needed to record, administer, and enforce land rights and by these actions strengthen the rule of law.

Tenure security in the form of well-defined, secure, and transferable land rights is a key precondition for land markets. Well-functioning land markets are important because they transfer land to its best use, improve overall production efficiency, and provide the basis for the operation of financial markets in which land can be used as collateral. Although land sales markets provide incentives for long-term investment and structural change, they may be less accessible to poor populations. Land rental markets may provide access to land at a lower cost and help families respond to outside shocks and off-farm employment opportunities.

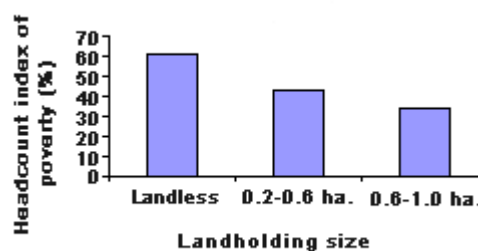
During the 1990s, the Bank accumulated broad expertise in land-related issues, policy dialogue, and investments. The main focus of the Bank's land-related investments has been to formalize land rights through registration and improve access to credit. Projects include facilitating free, public sector-managed registration in Central and Eastern Europe and improving land administration systems in Latin America and East Asia. The Bank has also supported transformation of the farming sector in transition economies and promoted community-managed land reform programs in Brazil, Colombia, and South Africa.

### Key Issues in Land Administration

Lending for Bank land policy and administration projects in 2001 totaled US\$195 million, 92 percent of which was for land titling and administration. Limited financing was provided for land policy and governance (7 percent), land reform (1 percent), and common property resources (less than 1 percent). More recently, Bank land projects broadened to address the operational and financial sustainability of land administration systems by supporting the creation of property rights and mechanisms for titling, registration, transfer, dispute resolution, and revenue collection. Projects have also

#### Box 10.2 Land tenure, land distribution, and poverty

Land redistribution can be a powerful mechanism to benefit poor people. Landless rural people typically have a higher incidence of poverty (see figure). More equitable land distribution is associated with lower poverty rates and more rapid agricultural growth, which result partly from the higher productivity and greater use of labor on small farms. Secure tenure status raises productivity, and access to land broadens employment options and provides incentives for families to employ their labor and management skills in productive, income-generating activities. Importantly, land ownership (or secure tenure) also confers social status in most cultures and improves opportunities to build social and human capital.



Source: IFAD, 2001

supported the development of infrastructure required to facilitate land market transactions, such as standards, processes, information systems, and mapping technologies (box 10.3).

*Legal framework.* In a land reform project, if a pilot approach is to be used, then refinement of the legal framework may be necessary. Uganda, Sri Lanka, and Colombia had well-developed legal frameworks which were difficult or impractical to implement. Their land reform experience suggests the importance of starting with a pilot program in high-priority areas and linking legal drafting to implementation, adjusting the drafting to take into account feedback from the implementation process.

*Efficient and equitable land administration.* Improved management of land can benefit from the use of new information and communication technologies. Much of Thailand's success in its land titling program can be attributed to an improved land registry system and the establishment of the one-working-day standard for completing the registration of a parcel. The potential for recovering the costs of land administration is a factor in deciding where and when land titling programs will be implemented. Although full cost recovery may not be possible or desirable (it may negatively affect poor people), the cost structure and the revenue from registration, transaction fees, and land taxes provide a basis for sustaining the land registry and the administration system over the long term. The lack of social equity in land titling and registration is another major concern, because rights to family/household property (land or housing) are often granted to one person, usually the male head of household. Attention must be given to ensuring that the claims of smallholders, women, and marginal groups receive equal protection under the law.<sup>1</sup> Such protection is particularly critical in times of conflict, rapid social or economic change, or escalating property values.

Devolving the responsibility for land administration to state, local, and district offices that operate within a consistent national framework can increase the efficiency, cost-effectiveness, transparency, and accessibility of land administration systems (box 10.4). When public sector capacity is limited, efforts to increase the participation of the private sector (for example, by contracting out land surveying and mapping) and local community groups can greatly facilitate the implementation of land administration activities.

**Box 10.3 The World Bank land thematic team**

The Bank's thematic team on land policy and administration works on issues related to land rights, such as the control of land, access to land, and the use of associated natural resources to promote sustainable development. The team's work also encompasses efforts to provide policy advice, technical assistance, and guidance on the content of land policy reform programs.

Source: World Bank, Land Policy and Administration

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<sup>1</sup> See the IAP, "Lao People's Democratic Republic: Preserving Women's Rights in Land Titling."

*Focus of programs.* Although most Bank land administration projects—such as those in the Lao People’s Democratic Republic (Lao PDR), Moldova, and Peru—have focused initial land titling efforts on areas of high economic potential, other projects—in Côte d’Ivoire, Tanzania, Indonesia, and Colombia—have emphasized more marginal areas. The location decision will have implications for the cost of the land titling system, its fiscal sustainability, and its impact on poverty. Results of land consolidation programs have been mixed, although clear benefits occur in irrigation and drainage projects such as those in the Indian Punjab. Programs tend to be costly and slow to implement, often because of difficult negotiations and trade-offs in the consolidation process. It is important to note, however, that the cultivation of dispersed, small parcels of land can also provide important benefits to smallholders in reducing the risk of total crop failure.

**Box 10.4 Lessons for a sound land administration system**

- Develop a sound legal framework and a well-functioning land registry.
- Use administrative titling, which has proven to be more efficient than judicial titling.
- Provide nationwide coverage, though not necessarily a uniform system throughout the country.
- Combine cadastre and registration functions in a single institution to improve efficiency.
- Use a systematic titling and registration program in areas with high priority for regularizing titles, because this strategy can be cost effective and facilitate uniform coverage.
- Establish an effective means of resolving disputes. Conflict resolution is essential to sound land administration, and it can include empowering field teams to resolve conflicts with the participation of the local community at the time of adjudication.
- Use public relations campaigns to educate property holders and encourage collaboration.

Source: Authors

*Land reform.* A one-time redistributive reform effort may be necessary in countries where land ownership is highly unequal. But conventional land reform programs that are limited only to the transfer of land, with no allowance for complementary investment, technical assistance, and supplementary resources, generally have yielded few equity and efficiency benefits. For example, restricted access to credit markets and insecure property rights in Nicaragua and the Philippines caused land reform beneficiaries to sell their land, often at prices well below its productive value (Jonakin 1996).

Community-managed land reform programs (also referred to as “market-assisted” or “negotiated” programs) funded by government grants provide an alternative to conventional land reform approaches. These programs decentralize land acquisition and allow the self-selection of beneficiaries to choose the type of project, identify land, and arrange for the investments and technical support needed for their projects. Given the political and sensitive nature of land reform, it is important to demonstrate that the community-managed approach can usefully complement other land reform efforts. At the

local level, strong support by local governments and NGOs has been critical to the success of community-based models.

Community-managed land reform projects have been substantially delayed by slow government acquisition of land. Although the Bank has allowed the cost of land purchases to be considered as project counterpart funding since 1977, Bank financing has been limited to supporting the nonland costs of land reform projects. The Bank's inability to fund land acquisition has prevented it from funding integrated land reform pilots for demonstration purposes. Recent changes in Bank policy have eliminated the overall prohibition on the use of funds for land acquisition, providing certain conditions are met, such as a land market analysis (including a productivity assessment) and project management (including monitoring and evaluation and the administration of funds).

### Key Issues in Land Policy Frameworks

Land policy refers to the public choices that determine how land rights and land use are established, changed, restricted, and enforced to promote specific goals within a society. For land policy to be an effective instrument of poverty reduction and sustained economic growth, an emphasis on the administration and delivery of basic services must be complemented by a focus on strategic objectives for land policy (box 10.5). Policy frameworks should establish property rights regimes appropriate to regional conditions, define and protect the rights of poor and vulnerable groups, and facilitate efficient land administration systems. Policies must also promote economic efficiency and ensure environmental conservation of land resources.

#### Box 10.5 Key objectives of land policy frameworks

- Security of land tenure, including legal recognition and support for customary land tenure systems.
- Equitable access to land, including legal recognition and support for land rights of women and minority groups.
- Sound management of public lands.
- Efficient use of land with well-functioning market mechanisms for land transactions.
- Protection of land resources through provisions for conservation and sustainable use.
- Linkage of land administration to poverty reduction strategies.

Source: Authors

*Property rights regimes.* The Bank does not have an operational policy on property rights, but its land projects recognize the importance that strong property rights have in creating incentives for investment. The main challenge in establishing any type of property rights regime (customary tenure, common property, state land ownership, or individual ownership) is to ensure its acceptance. Effective enforcement mechanisms, which take social needs into account and aim to maximize social welfare and economic growth, are vital (Feder and Feeny 1991; Feder and Noronha 1987). Choosing the optimal regime will depend primarily on the type of land resource and its potential use, on the ability to minimize negative or external effects through regulation, and on the costs involved in establishing and enforcing rights (box 10.6).

Customary tenure regimes typically involve land ownership by the community rather than the individual. Property rights are enforced through existing social norms, and market transactions are generally limited to the community. These arrangements have often been viewed as economically “inferior” and are seen as equivalent to collective cultivation. Yet communal arrangements can be a cost-effective way to ensure access to land and security of tenure for poor rural people in areas of low population density, high ecological variability, and low resource values (box 10.7). Working within these

customary tenure rights in the context of a national land policy framework can often increase the security of tenure and lead to major equity and efficiency benefits.

By building on successful experiences, the Bank can promote legal recognition of customary tenure arrangements in countries that do not recognize such rights, particularly in Africa, and build the capacity of customary institutions. Before legislation is drafted, the current customary tenure arrangements should be assessed. This assessment will ensure that the legal framework for land tenure appropriately complements existing conditions of land ownership and use, and it will also ensure that the statutory rights of women and minority groups are recognized and protected. Efforts should be made to recognize such systems through legislation and to build the capacity of customary institutions that could implement property rights laws and maximize tenure security.

Robust private rights (often “ownership”) are necessary if land rights are to be acquired by individuals through market transactions or exchanged in formal and informal settings. Individual title ownership is a common means of providing secure and transferable land rights, and it can serve as a source of credit and investment once an economy has become highly commercialized.

In the transition from a customary tenure to an individual private property regime, legal and regulatory provisions are needed to avoid disenfranchising individuals, particularly women, who may be illiterate, poorly educated, or lack influence. Tenure security can be significantly enhanced by less formal measures, such as secure and transferable long-term leases, at a lower cost than formal titling. These measures can provide many of the advantages associated with full ownership rights.

#### **Box 10.6 Land policy issues vary by region**

Government land policy will vary depending on the conditions prevailing in a given country or region. In Africa, for example, strengthening and working with customary community management systems is important. In Eastern Europe and Central Asia, the focus is on defining and strengthening private property rights and land markets. In Latin America and parts of Asia, ensuring indigenous people’s tenure rights is a key issue. Government policies are stated in various ways, including legislation, regulations, and policy statements such as white papers. Policies must also be disseminated widely to ensure that citizens are aware of their rights and responsibilities in relation to land matters.

Source: Authors

#### **Box 10.7 New perspectives on customary land tenure**

Customary land tenure is the predominant form of land tenure in indigenous areas of Latin America and South Asia, in Africa, and in some countries of East Asia. It may be recognized by national law or exist independently of national law, grounded in and legitimized by community

consensus. Customary land tenure systems often include important communal rights as well as family and individual land rights. These systems were seen as obstacles to nation-building because customary land law varied widely and was implemented by ethnically based traditional leaders, whose power often came from their control over land. The rules of customary land tenure are not static, however. They have evolved to meet new needs, and attempts to replace such systems often fail, leaving greater tenure insecurity in their wake.

In many parts of Africa, for instance, it may prove too expensive to maintain modern land administration institutions in poor rural areas. Traditional land administrators, although they have limitations, represent a low-cost, community-based system of land administration. These perspectives are increasingly reflected in Bank policy and programs. In Côte d'Ivoire, the Bank is financing the titling and registration not of reformed rights but of customary rights. In rural Ghana, the Bank is supporting registration of community territories and land administration by traditional authorities.

Source: Authors

*Common property rights.* Common property resources, such as public forests and pastures, are often difficult to manage. Effective regimes require legal and practical control over resources, adequate institutional arrangements for decision making and enforcement, and sufficient social capital for implementing decisions. The Bank's experience with common property regimes has been experimental to date, but there is growing appreciation that poverty reduction can sometimes best be realized through community natural resource management under common property regimes, using a variety of contractual arrangements. In these cases, fair, efficient, and equitable rules for the community to access resources are needed rather than individual titled ownership. State and community lands such as national parks and restricted areas, forest reserves, community forests, and woodlots may be covered by national policies that define uses, restrictions, and responsibilities for management and control. In practice, state lands in many cases are not administered effectively, resulting in ad hoc encroachment by private users and often in negative environmental impacts. The privatization of state land is an issue relevant to many countries and has been an important aspect of economic reform in Eastern Europe and Central Asia. While full privatization can be politically sensitive, an alternative approach, which has been successful in China and East Asia, is to provide long-term leases for the use of state land.

*Social and economic aspects of land policy.* National land policy frameworks should include social targeting of vulnerable or disenfranchised groups, such as poor people, women, and minorities, to improve their welfare through better access to and control of land. Detailed and comprehensive legal frameworks, streamlined procedures for transferring tenure, and capacity building for supporting institutions are required as well. In Latin America, the Bank has moved beyond an abstract recognition of women's legal rights to ensuring such rights through joint titling of conjugal property (box 10.8).

Countries in Asia and Latin America recognize customary land rights in principle and allow for the internal management of land by indigenous communities; the Bank is actively involved in projects in Bolivia, Nicaragua, and the Philippines. Pilot projects in Peru and Brazil have helped to streamline procedures for giving ownership title to indigenous populations (Roldan 2002).

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**Box 10.8 Designing land administration projects to ensure women's rights to landed property**

In designing and implementing land administration projects, many issues must be addressed to increase women's participation and thus improve the likelihood that women's rights to landed property will be recognized and legalized. A recent World Bank study of this issue identified five key actions:

- *Reconcile formal and customary law.* While it is important to ensure that legislation and policy protect women's rights to land, laws and policies are mostly ineffective in the face of customary law that does not recognize equitable property rights for men and women. An additional complication is that land legislation may conflict with family or personal law, and both types of legislation must be reviewed to assess their impact on women.
- *Identify property holders.* The practice of issuing titles only to the household head may deny other people their rights to land. A more detailed analysis of the structure of rights to land is required. For example, who has communal and who has individual rights? What are the inheritance and marriage practices? How much of a role do informal, consensual unions play in the social system?
- *Conduct a gender-disaggregated field assessment.* The collection of appropriate gender-disaggregated data during project preparation is an important means for guiding project design and subsequent impact monitoring.
- *Mainstream gender throughout the project.* Gender issues should not be viewed as a separate subproject. For activities such as adjudication, registration, dispute resolution, and community outreach, as well as project management, consideration must be given to addressing potential gender inequities.
- *Pay attention to education, training, and communication.* A plan should be developed for communicating the importance of gender issues, addressing different levels of target audiences; including both men and women in any training; emphasizing gender as a mainstream issue; and tailoring information campaigns to local and regional socioeconomic and cultural factors.

Source: World Bank 2005

*Land tax.* Land tax policy is a difficult political issue. A system for land taxation, based on productivity and land values, can be an efficient means of revenue collection for national or local governments, and this approach generally is more effective than taxes based on outputs. Land revenues typically derive from annual property taxes or taxes on land market transactions. Thailand's land titling program produced a substantial increase in land transfer tax revenues and facilitated collection of annual land taxes. In many countries, land transaction taxes are set at a level that distorts sales price reporting or drives sales outside of official reporting channels. At the same time, annual property tax rates on rural land are often set so low that they do not cover the cost of administering

such taxes. Through its interventions, the Bank has advised countries to implement a better designed set of land tax policies.

### **Key Issues in Land Market Development**

Efficient land markets should maximize land productivity and introduce flexibility into the rural economy and family livelihood strategies. If government policies try to address social inequities through ownership ceilings, fixed prices for land, restrictions on transfer, and land subdivision for inheritance, these policies often introduce market distortions that undermine the efficient functioning of land markets and unintentionally reduce opportunities for more equitable access to land (box 10.9). Landholding size and its impact on productivity may be a public policy concern. Family farms may be more productive where production processes are not overly capital intensive and access to credit and capital is broadly similar across farm sizes. Imperfections in factor and credit markets may give advantages to larger farms, which then expand their holdings. Broader agricultural sector policy changes, such as eliminating credit subsidies and dismantling agricultural protection, can improve the functioning of land markets and can contribute to land price declines. Under these circumstances, small-scale farmers may have better access to land through market mechanisms. Consequently, land projects should seek to eliminate factor market distortions, land market restrictions, and broader sector policy distortions.

*Land rental markets.* Rental markets can provide a low-cost mechanism for poor people eventually to become landowners, provided that property rights are long-term, enforceable, and fully transferable. Rental markets may improve the allocation of land and enhance equity, but the impact on equity depends on the arrangements between landlords and tenants, which in turn may depend on alternative employment opportunities. Productivity tends to be comparable between owned plots and fixed-rent plots. Sharecropping (share tenancy) is a second-best option in rental markets, as studies indicate that it may be associated with some productivity loss compared to fixed-rent agreements. There is evidence that eliminating the sharecropping option can lead prospective renters to rely on wage labor, which is both less efficient and less equitable. Rental markets may enable landowners to increase the size of their farming operations and may provide landowning nonfarm households with a sustained income by renting out their land.

#### **Box 10.9 Government interventions and land markets**

Government interventions in rental markets, such as sharecropping restrictions, self-cultivation requirements, and rent controls, often motivated by considerations of social justice, may have unintended detrimental consequences. Legal and administrative restrictions on rental markets negatively affect agricultural productivity and household welfare, discourage investment, and decrease the security of tenure. Typical interventions in sales market, such as prohibiting foreign ownership, land ownership ceilings, and land price limits, can limit access to much-needed capital in markets and ultimately undermine the ability of banks to engage in lending.

Source: Deininger 2003

Transaction costs associated with land rentals are normally lower than those in sales markets but can be further reduced by making information on land ownership, contractual forms, and rental prices more widely available. Legal or other restrictions on land rental markets, such as rent ceilings and tenancy restrictions, tend to reduce the security of land rights, introduce market distortions, force landowners to adopt measures to protect their claims to land, and may negatively impact agricultural productivity and household welfare. Such restrictions may also discourage investment and increase off-farm employment and migration. While rent ceilings as well as tenancy restrictions may transfer resources to poor people in the short term, the long-term impacts are not likely to be advantageous. Secure property rights, the ability to enforce contracts, and the availability of necessary information are key to facilitating longer-term contracts and determining the impact of tenancy on equity and investment.

*Land sales markets.* Land ownership provides incentives for investment in land, facilitates structural change, and, through the ability to sell, provides a basis for using land as collateral in credit markets. In environments where credit markets do not function well, land sales markets are more likely to lead to undesirable, efficiency-reducing outcomes, such as speculative purchases, high transaction costs, distress sales, and reduced opportunity for small-scale producers to purchase land.

Some restrictions on ownership are difficult to enforce, and wide experience indicates that they are not justified, are likely to be evaded, have undesirable side effects, and should be avoided—with two possible exceptions. Rapid changes in the external environment can justify imposing ceilings on land ownership and giving local communities the authority to restrict the transferability of land (as is the case in most customary systems). Such restrictions are best phased out as rapidly as possible.

In summary, governments have three options for improving land rental and sales markets:

- Eliminate distortions to improve functioning of markets.
- Reduce transaction costs, for example through better land records.
- Impose direct restrictions on market transactions to avoid undesirable outcomes.

The focus is usually on the first two options, as direct restrictions seldom yield expected outcomes and generally have resulted in efficiency losses. Existing restrictions should generally be eliminated in ways that minimize disruptions and negative effects on equity. Restrictions on land markets are unlikely to lead to significant redistribution of land, but they will result in large bureaucracies with an interest in maintaining the restrictions.

## **Future Directions for Lending**

Recent experiences with land-related investments provide a basis for new approaches to land access and use that may improve land administration and reform programs and ultimately enhance their economic and social benefits. Land policy issues need to be addressed in World Bank Poverty Reduction Strategy Papers (PRSPs), because access to land is often critical to the well-being of poor people, and land tenure security is essential to the investment needed to increase agricultural productivity and rural incomes.

*Land policy and administration.* Bank land projects need to provide more emphasis on ensuring the operational and financial sustainability of land administration systems.

- *Developing sustainable land administration systems and land registries.* Sustainability requires greater attention to cost recovery, a client-service orientation, and cost-effective administrative systems. Programs will have to strengthen land valuation skills and improve land tax administration by building capacity within public as well as private sector institutions. New technologies for mapping and monitoring land use and land quality will improve the ability of public agencies to plan and manage land for conservation and sustainable use. At the same time, the cost of these interventions can be such that care needs to be taken to ensure that investments in these areas are driven by beneficiaries' actual needs rather than by purely technical considerations. The implementation of systematic titling and registration programs will need to complement on-demand titling, with country analyses identifying priority areas and options. When greater economic activity is not a factor, on-demand titling and registration procedures are likely to be sufficient. The greatest impact of providing land titles is that farmers' access to credit improves, because land can be used as collateral. Programs must be designed with greater attention to their ability to improve access to financial markets. Increasing attention will need to be given to state lands in the operation of titling and registration programs.
- *Increasing the involvement of local communities in land policy debates and titling programs.* Projects must engage local communities more fully, including women, landless people, and minority groups, in the analysis of tenure arrangements and the promotion of greater stakeholder participation in project design. Community participation will be enhanced if there is a national policy on participation. One way to test what will work in practice is to finance local-level pilot projects, managed collaboratively with communities. Legal advisory services for the rural population can be an important tool for empowering communities.
- *Enhancing the security of tenure for common property resources and promoting legal recognition of customary tenure arrangements.* Land policy and administrative arrangements are recognizing the value of traditional community institutions and tenure arrangements, because they are cost effective and socially acceptable. Even so, these arrangements and institutions may need to evolve to be reconciled with formal tenure systems and changing conditions.
- *Promoting wide dissemination of information on land policy and administration.* Analyses of the legal and institutional frameworks for land administration are standard components of Bank-sponsored projects, and their results should be disseminated widely. The use of legal services to ensure that the legal and regulatory framework for land is adhered to in practice can be an important part of project design.
- *Making land tenure and titling programs more equitable.* Recognition of land rights for specific groups that have been overlooked in the past, especially women, will

need to be reflected in the law, in land rights awareness campaigns, and in the provision of legal assistance. Legal reform programs should address land inheritance inequities and make mechanisms for land tenure enforcement more accessible to women. Educational campaigns on gender-related land issues should target national policy makers, local officials, and communities. In many countries, such as China and India, rapid urban expansion and a corresponding increase in land values are focusing greater attention on how agricultural land is converted to alternative uses in periurban areas, and in turn on the need to protect the economic rights of those with land tenure in those areas. Indigenous land rights should be recognized in the policy framework. Community access to restricted areas and community control over traditional lands may require innovative legal arrangements and implementation procedures at the field level.

- *Strengthening land rental markets.* Bank land projects should seek to establish the legal and institutional conditions for long-term leasing arrangements and to improve the functioning of land rental markets by supporting better dissemination of land price information, more simple contractual mechanisms, and stronger enforcement of rental contracts.
- *Land valuation and land tax policy.* The development of a sound fiscal cadastre is gaining importance in many countries, such as those in Eastern Europe and the CIS. Project teams must be prepared to provide expertise on land valuation methodologies to support sound land tax policies, as well as to offer guidance in the design and administration of land tax systems.

*Land reform.* Two of the root causes of poverty are low income and the lack of access to productive assets, and land reform is seen as a direct and sustainable means of addressing these sources of poverty. Despite considerable evidence that smallholders are usually more efficient producers, their poor access to credit may constrain their ability to purchase land, and governments may need to intervene to counter the failures in land and financial markets. The Bank has funded land reform programs that involved compulsory acquisition of land. Those losing land have been compensated according to the Bank's Safeguard Policy on Involuntary Resettlement. Because the Bank was prohibited until recently from disbursing money against land, it supported resettlement and related investment costs rather than land acquisition in those reforms. The Bank is still open to supporting well-conceived and well-implemented land reform programs based on compulsory acquisition or redistribution.

In the early 1990s, Bank staff working in Latin America and Asia developed a more efficient model of land redistribution that used market mechanisms. Using client government funds, Bank-funded projects channeled funds to associations of beneficiaries that purchased land on the market. These programs redistributed land without coercion, respected established property rights, and were coupled with policy reforms to facilitate

the operations of land markets.<sup>2</sup> An exception to the Bank's disbursement rules now allows funding to support the purchase land.

It is not a matter of choosing between community-driven land reform or compulsory land reform. Each may play a useful role. For example, in Brazil, the federal government acquired large blocks of land compulsorily, and the Bank supported state land reform programs that acquired land, usually smaller holdings, on the market. In some cases, compulsory acquisition and redistribution of land will remain an important alternative. Future land reform investments are likely to stress:

- *Community-managed land reform models.* The model of community-managed land reform that is implemented in a number of countries provides an effective means of dealing with inequitable land access.
- *Inclusion of technical assistance and support.* Land reform programs will support the development of viable agricultural enterprises through technical assistance and credit or grant support for sound business plans. Technical assistance and support are likely to greatly increase the returns to investment in land reform. Strong support by local governments and NGOs has been critical to the success of community-based approaches, and land reform programs should include an institutional capacity building component.

In some countries, where the government retains title to and control over substantial amounts of productive land, privatization or long-term leasing arrangements may be an effective means of increasing employment and productivity, as well as of promoting better management and conservation of land.

### **Scaling Up Investments**

As land project investments are increasingly linked to broader macroeconomic and poverty issues, it is important to evaluate the contribution these projects make to improved household welfare, poverty reduction, and economic development. To establish a land investment project's effectiveness in contributing to these goals, indicators should be identified to assess economic, social, and environmental impacts. For example, relevant economic indicators may include productivity, economic growth, land tax revenue, and the cost of land transactions; social indicators may include the incidence of land disputes, labor mobility, and land distribution profiles, including female ownership; and environmental indicators may include land use changes, erosion control, and deforestation. In this regard, the World Bank's safeguard policies are relevant for practitioners involved in land administration initiatives (box 10.10).

These impacts are likely to be measurable only over many years, usually well after project completion, which will affect the timing of impact studies. Multipurpose

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<sup>2</sup> See the IAP, "Brazil: Participatory Negotiations and Market-Assisted Land Reform."

household surveys provide a way to measure land investment indicators at a relatively low cost.

There appears to be substantial interest and opportunity for expanding investments in land administration, policy, and market development. Market economies that emphasize governance issues facilitate land reforms projects that need functioning land markets. Future land investments would benefit from the definition and analysis of good investment practice in the following areas: customary land tenure systems; indigenous people's land rights; land institutions; technologies for land administration to deal with issues of consolidation, registration, land taxes, revenue systems, and analysis; and resettlement in post-conflict situations.

#### **Box 10.10 World Bank safeguard policies relevant to land policy and administration**

The Bank's work in land policy and administration is affected by policies defined in Operational Policies (OP) documents designed to build safeguard activities into a project:

- OP 4.01 on environmental assessment requires that the environmental impact of land projects be assessed and minimized.
- OP 4.12 on involuntary resettlement requires that involuntary displacement from land be minimized and that adequate compensation be paid to those whose land is taken. For land titling projects, OP 4.12 excludes from consideration disputes between two private parties where the losing party is displaced. OP 4.12 does apply to disputes between private displaced parties and the government, however; the displaced parties are given protection even if they have no legal right to be on the land. Bank-funded titling projects may avoid titling in such areas. If a government complies with OP 4.12, an agreement must be reached on an involuntary resettlement framework.
- OP 4.20 on indigenous peoples emphasizes the importance of land in traditional ways of living and culture by protecting land rights that have been conferred under customary law and are recognized by national law. It seeks to avoid disrupting those rights which, if affected, must be compensated.

Other key safeguard policies include OP 4.04 on protecting natural habitats; OP 7.60 on requiring consultations among neighboring countries to ensure there are no objections in a disputed area; and OP 4.36 on committing governments to undertake sustainable management and conservation-oriented forestry.

Source: World Bank, Operational Manual

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Asterisk (\*) at the end of a reference indicates that it is available on the Web. See Appendix 1 for a full list of Websites.

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This overview was prepared by Danielle Typinski (USAID), based on the World Bank Policy Research Report, "Land Policy for Pro-Poor Growth and Development," by the Bank Research Department and the Land Policy and Administration Thematic Group of the World Bank, and with further input from Wael Zakout, John W. Bruce, Klaus Deininger, and other members of the Land Thematic Group. Peer review comments were provided by Frank Byamugisha and Susana Lastarria (University of Wisconsin).

## **Investments in Systematic Land Titling and Registration**

The security, duration, and enforceability of property rights have major impacts on land investment incentives, land market operations, and the development and functioning of financial markets. In situations characterized by high land values, conflict over land, and increasing population densities, formalized property rights systems that confer stronger and more secure land tenure have important economic and social benefits. Systematic titling and registration offers equity and cost advantages when implemented under supportive policy, legal, and institutional frameworks.

Land tenure insecurity, exacerbated by population pressure, escalates conflict over land use, inhibits land transactions, and discourages investment in farming, industry, housing, and the physical infrastructure necessary to support economic growth. Property rights within a land administration framework increase land tenure security. The main mechanisms for formalizing property rights are land registries and title documents. These provide protection against challenges to individual rights and facilitate the transfer of rights and the development of secondary financial instruments, such as mortgages.

### **Titling and Registration**

The Bank has accumulated broad expertise on land administration investments, which have focused mainly on formalizing land rights through systematic or sporadic registration. Systematic registration identifies, adjudicates, and registers rights to all adjacent land parcels in a selected locality and within a given period. Sporadic registration processes land rights on an ad hoc basis, usually when customers request registration of their parcels of land. The Bank favors the systematic approach because of the equity and cost benefits as well as the positive externalities arising from a complete registry. Most projects embed land titling in a national land policy framework.

The two main instruments of a land titling and registration program are the land registry and the cadastre. The registry provides authoritative information on all properties within a jurisdiction. The cadastre provides information on boundaries, use, and value of properties and is used as a basis for land use planning, valuation, taxation, and the generation of maps. Support to systematic titling has been more successful than activities aimed at building sustainable land registration agencies. Greater attention must be given in future land investment projects to strategies and pilot operations that will enable the establishment of sustainable land registries.

### **Benefits**

Land titling programs can create secure, clearly defined, and easily transferable land ownership rights, which ensure benefits to recipients/owners and improve incentives for long-term investment. Case studies from China, Thailand, Vietnam, Honduras, and Paraguay demonstrate the positive impacts of land titling on investment and agricultural productivity (see box 10.11 for an example from Thailand). In contrast, studies from Africa show little relationship between land titling and productivity, largely because of

the existence of well-developed indigenous land rights, the lower level of agricultural intensification, and the lack of formal credit markets.

Formal land titles also increase credit availability by enabling loans to be secured through a lien on land which serves as collateral in both formal and informal credit markets. The existence of well-documented, transferable property rights and institutional arrangements that facilitate low-cost transfer of land titles is likely to contribute to development of financial markets. Evidence from Thailand and Honduras points towards improved credit supply as the main benefit from titling (Feder et al. 1988).

**Box 10.11 Thailand: institutionalizing an effective land titling and registration system**

Thailand's land titling program began in 1984. By 1998, about 5.5 million title deeds had been issued to 2 million rural households, 35 percent of which were poor farm households. An additional 3.5 million titles were converted from lower-level certificates. Implementation involved large community participation in an innovative, systematic, village-by-village, and parcel-by-parcel approach involving local government and community leaders, landholders, and departmental staff. About 10 million people (16 percent of the national population) have directly benefited from the program, mainly as a result of increased agricultural productivity and improved household income. The program resulted in an increase in revenue from land transaction taxes from US\$300 million in 1984 to US\$1.2 billion in 1995 and facilitated the collection of annual land taxes.

Source: Brits, Grant, and Burns 2002

## Policy and Implementation Issues

*Legal framework.* An appropriate policy and legal framework for land tenure is a necessary condition for realizing benefits of land titling and registration programs (box 10.12). The legal framework must provide for effective enforcement of laws and ensure that landholders' rights are secure. Legal and institutional reform can occur in parallel, but they should be undertaken by one cohesive management unit. Land policy decisions should be kept separate from land administration management but can be implemented in conjunction with preliminary legal reform efforts.

**Box 10.12 Lao People’s Democratic Republic: building land administration policy and legislative frameworks**

The Lao People’s Democratic Republic project used an incremental, evolutionary approach in developing policies and legislation for land administration, complemented by pilot activity that involved field-testing to implement land titling and registration in the absence of a legal and institutional base. A cabinet-level committee was mandated to identify key policy issues and develop corresponding decrees. With interim ministerial regulations for adjudication and registration in place, pilot projects were able to issue titles in advance of final legislation. This strategy allowed titling and registration to take place without waiting for lengthy legislative procedures to be completed. Lessons from pilot projects were then integrated into more substantive legal reforms. Pilot activities were used to identify and work through policy and legislative issues, educate the public about land titles, adjust field methodologies from Thailand to the Lao environment, and train staff in systematic adjudication.

Source: Authors

*Equity issues.* Formal land titling and registration is more likely to have a strong impact where there are operational credit markets and the latent demand for credit cannot be satisfied owing to the lack of formal title. When these conditions do not exist, a broader approach to rural development policy will often be required to facilitate the use of titling in supplying credit. When other markets (such as the credit market) are characterized by distortions that disadvantage small farmers, formalized individual property rights can lead to land transfers that cause greater inequity.

*One- versus two-agency models.* Cadastre and registration functions should be connected and managed by a single institutional entity wherever possible (box 10.13). Under projects in Indonesia, Lao PDR, Thailand, and El Salvador, one agency—typically the Department of Lands—undertook base mapping for cadastral purposes, development of standards for adjudication, cadastral surveying, and registration functions, as well as policy coordination. This model generally works better than the two-agency model, which has cadastral functions and registries under separate departments.

*Gender equity.* If adequate safeguards are not in place, titling can permanently deprive certain groups, such as women or indigenous peoples, of their land rights. In Latin America, titling programs have developed promising new approaches that include joint titling provisions and guarantees for women’s land rights, but these efforts have faced social and cultural constraints (box 10.14). Preferential treatment of women in titling programs has increased gender equity and contributed to improving women’s rights.

**Box 10.13 Characteristics of a sound land registry**

- Registration of all properties (private, state, and customary) and all land transactions.
- Transparent and well-developed, implemented, and monitored service standards.
- Self-financed to ensure long-term sustainability.
- Computerized land record management and/or land registration.
- Accessible at reasonable costs.
- No informal payments required.

Source: Authors

**Box 10.14 Nicaragua: joint titling efforts**

From 1993 Nicaragua instituted joint titling of land to wife and husband. Sensitivity training was directed at high-level officials and at technicians involved in the land legalization process. Meetings were held with regional leaders and the local population. Radio and television spots and brochures written in clear language and in graphic format were developed to support training efforts. Despite sensitivity training, the titling program ran into difficulties in its attempts to legalize women's rights to land. In 1997, an evaluation found that most titles issued were granted to individuals (64 percent) and that joint titling to family members (for example, father and son, two brothers) represented 25 percent of total titling. Joint titling for couples only reached 7.8 percent of the total number of titles issued.

Source: Authors

*Community titles.* More formalized property rights systems are needed in situations characterized by high property values, land conflicts, and increasing population densities. Customary collective action to define and enforce property rights is generally effective in smaller communities with low-value properties and where land transactions affect only the community (box 10.15).

*Uniformity of standards.* Nationwide coverage of a systematic registration program does not imply uniform standards, as differences in land values within a country (for example between rural and urban areas) may make it useful to have different standards of evidence and precision for different types of land. An official registry can be relatively less precise in measurement but cheaper and still increase tenure security. It can be upgraded gradually as needed.

*Financial efficiency.* Land administration systems must balance cost-effective service provision with the cost recovery mechanisms necessary to make the system sustainable. Estimates of costs per hectare for land titling vary considerably from country to country, ranging from US\$5.50 to US\$50.00 (depending in part on what costs are included). Major cost components include mapping, registration, surveying, adjudication, and institution building. Most countries have elected not to charge the full cost of registration but to recover some costs from fees on subsequent land transactions. Governments, especially those in economic difficulties, may not extend titling programs to areas where land transactions are few.

**Box 10.15 Botswana: improved tenure security through group rights**

Botswana provides a good example of a gradual change in the type of land rights that an individual can enjoy in the absence of a formalized property rights system. Since 1970, individual land rights gradually strengthened, first with the exclusion of other people's animals and the fencing of arable land, and later with the allocation of land to all adult citizens, male or female, and the introduction of common-law residential leases for commercially valuable land.

Source: Authors

**Lessons Learned**

For systematic land titling and registration to be effective, land administration institutions need to be legally valid, authoritative, accessible, and transparent. The lack of these conditions in Eastern Europe resulted in the abuse of bureaucratic power, increased

transaction costs, and delayed emergence of financial markets based on land/real estate as collateral. Titling programs should strengthen enforcement mechanisms, because legally defined rights are of little value if they are not recognized and enforced.

Poorly defined institutional responsibilities and overlapping mandates can undermine land tenure security, increase transaction costs, increase land conflicts, and erode public confidence in the land administration system. Often there is a lack of coordination as well as competition among the entities that deal separately with rural, urban, and state land.

Contracting out services such as surveying and mapping to the private sector can reduce the scope for political interference and allow reductions in public sector staffing. While the public sector must oversee and enforce proper regulation of land administration, developing private sector capacity is an essential feature of effective land administration.

Land administration is typically a central government function, but a central land administration agency may operate through local offices. Systematic land titling programs require rapid decisions and processing capability. Day-to-day management delegated to branch offices helps to ensure transparency and provide easier access to information for local people. Decentralizing implementation responsibilities, as in Lithuania, can reduce costs, increase efficiency, enhance accountability, and promote good governance (box 10.16).

**Box 10.16 Lithuania: decentralized and upgraded land administration systems**

Lithuania established a temporary, decentralized system that will eventually be absorbed into a more unified framework. Registration of ownership as well as use rights was done by village authorities, who established a temporary, person-based cadastral register of landowners. A parcel-based, integrated system under the National Agency for Cadastre will integrate these two registers and eventually replace them. First-time registration is based on low-level precision sketch maps, with more detailed surveys developed for subsequent market transactions as money becomes available. A single department of land management with broad jurisdiction over rural, urban, and forest land and municipal registry offices ensured progress of the processes.

Source: Valetta 2000

## Recommendations for Practitioners

Practitioners involved with investment in systematic land titling and registration initiatives should consider the following recommendations (box 10.17):

- A policy and legal framework needs to be in place and land registration needs to be planned and implemented in the context of a broader market economy. If the registration process itself does not guarantee ownership, then registered rights must be clarified and supported by land administration institutions and the judiciary. For example, if a legal framework does not exist, as in the case of Lao PDR, caution must be observed with the registration process.

### Box 10.17 Key areas for public investment

- Land policy formulation and development of legal and regulatory framework.
- Institutional reform and development.
- Dispute settlement.
- Systematic land titling, involving community participation and gender awareness activities.
- Cadastral surveying and mapping, aerial photography, adjudication activities, and issuance of land titles.
- Information technology support.
- Property valuation.
- Establishment of land registries.
- Monitoring and evaluation.

Source: Authors

- A strong commitment from implementing agencies, both governments and donors, is essential to successful implementation of long-term, multiphased titling programs.
- Coordination arrangements among government agencies, with clearly defined responsibilities and a shared vision, are essential for timely and effective implementation. The lack of coordination can stall project activities, undermine tenure security, increase transaction costs, and erode public trust in the system.
- New technologies, such as computerized information systems, should be phased in and tested on a small scale before being widely adopted.

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Asterisk (\*) at the end of a reference indicates that it is available on the Web. See Appendix 1 for a full list of Websites.

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This investment note was prepared by Danielle Typinski (USAID) with inputs from Wael Zakout, John Bruce, Klaus Deininger, and other members of the Land Administration Thematic Group of the World Bank.

## Community-Managed Land Reform

Improving the land assets of poor people through land reform can be an effective way of reducing poverty, facilitating broader economic growth through enhanced agricultural productivity, and producing greater social harmony. Community-based land reform relies on grants and/or loans to help beneficiaries purchase land through voluntary sales. In some circumstances, this provides an attractive model for land reform. Additional support typically includes production credit and technical assistance, because they increase the productivity and sustainability of farming operations. This support can be provided with the same funding as that for land acquisition or through parallel programs. Producer and community organizations are key implementing agencies in this model for efficient and equity-enhancing asset redistribution.

Colonialism, civil upheavals as a result of internal power struggles, and government policy distortions that affected land markets have led to the extremely inequitable distribution of land ownership in many developing countries. Land reform is an important issue, especially in countries where land has been a central demand and in post-conflict countries where land distribution remains highly unequal. Land reform carried out in an ad hoc manner under political pressure rarely reflects the needs of poor communities. Conventional land reform programs—including expropriation and privatization of state land—have often been expensive and slow, and they have not sufficiently addressed beneficiaries' needs for capacity building and training. Government-directed programs of compulsory land purchase and settlement are suited to some circumstances but are only one of several possible models for land reform.

In the early 1990s, Bank staff working in Latin America and Asia piloted the use of market mechanisms to make land redistribution more efficient, cost-effective, and better tailored to local conditions. With the strong support of NGOs and governments, community-managed land reform pilot projects were undertaken in Brazil, Colombia, and South Africa. Because of the limited experience with this approach, best practices cannot yet be established definitively, but the pilot projects offer some useful lessons.

Community-managed land reform provides potential beneficiaries with grants and/or loans to purchase land on the market. It differs from government-directed land reform initiatives in which the government takes land from a large-scale farmer and transfers it free of charge to poor people. In community-managed land reform, the selection of beneficiaries and land acquisition are handled at the local level. The government's role is limited to establishing the necessary policy and regulatory framework for making grants and for purchasing land. Land is transferred voluntarily between willing parties, with community organizations, NGOs, or other implementing agencies helping beneficiaries identify land available for purchase, negotiate and reach agreement with the seller, and submit this agreement for approval to a local coordinating entity, such as a district, municipality, or development committee. The local coordinating entity verifies the eligibility of beneficiaries, ensures that there are no legal impediments to transferring the land, and confirms that the negotiated price is at fair market value.

Community-based land reform has the broader goal of establishing productive farm enterprises, so beneficiaries receive a grant, loan, or combination grant/loan in a fixed amount to be used for investment as well as for acquiring land, and they are expected to make a cash or in-kind contribution of their own (box 10.18). A systematic program of training and preparation assists beneficiaries in choosing a land investment project and identifies suitable land. Beneficiaries submit their investment plan to a local implementing agency, typically a private or public financial institution, for appraisal based on clearly defined technical, economic, environmental, and poverty-reduction criteria. Once approved, the agency transfers funds to the beneficiary, an implementing agency, or directly to the seller. In Brazil, beneficiaries assume a loan with a local bank using the acquired land as collateral.

**Box 10.18 Colombia: funding land acquisition and investments**

The 1994 Colombian Land Reform Law provided for land purchase grants of up to 70 percent of the negotiated land purchase price. Grants were restricted to land purchases and could not be used for complementary investments. This restriction created incentives for collusion that inflated land prices and divided sales surpluses among buyers and sellers. It also strongly biased sales in favor of developed agricultural land that was close to infrastructure and already well-endowed with the necessary complementary investments. The result of this approach to land reform was the redistribution of existing assets rather than the creation of assets. Allowing grants to finance nonland investments results in better targeting of underutilized land and helps beneficiaries make other needed investments.

Source: Deininger 1999

## Benefits

Improving smallholders' access to land enhances equity and may ultimately increase agricultural productivity, because smaller family-operated units are generally more efficient. With a focus on productive projects rather than on land transfers, sustainable poverty reduction and entrepreneurial development are at the center of community-managed land reform efforts. Farm enterprise planning and the identification of markets before land is transferred enable beneficiaries to start production immediately. In South Africa, 23 percent of the projects generated positive cash flows in the initial period following land transfer.

When land and related investments are limited, beneficiaries can be encouraged to purchase undeveloped or underutilized land, and with the lower land prices, funds are then available for productive investments. Three elements help prevent overpayment for land. First, communities must demonstrate that a minimum supply of land is available on the local market. Second, beneficiaries contribute to financing the project and are selected through a transparent process. Finally, programs must document local land ownership patterns, land prices, and farming models.

## Policy and Implementation Issues

*Policy frameworks.* Policy distortions, such as restrictions on ownership, use, rental, or land sales, can negatively impact land use and the development of rural credit markets. Land ownership ceilings can render land of limited value as collateral; rent controls and tenancy laws also hinder the development of land rental markets. Policies that drive land prices above the capitalized value of agricultural profits increase land reform costs and may reduce sustainability by encouraging land reform beneficiaries to sell land to large-scale farmers. An undistorted land policy environment supportive of smallholder agriculture is critical if land reform interventions are to be sustainable.

*Grants vs. loans.* Financing for land purchases and investments may be on a grant, loan, or mixed grant-loan basis, but good practice would require beneficiaries to make at least some financial contribution.

*Financial services.* In rural areas, beneficiaries with access to land but without access to markets for products and credit may fail to improve their status, which can lead to widespread selling of land. Community-managed land reform programs also need to address access to markets for credit, inputs, and outputs. In Nicaragua and the Philippines, financial intermediaries also provided input credit in-kind and helped land reform beneficiaries to establish productive enterprises.

*Participation and social equity.* Community-managed land reform programs must rely on their beneficiaries (which should include all social groups) to take the initiative for purchasing land and developing farms. Successful land reform depends on an adequate local institutional structure and education programs to facilitate participation. A common problem is the exclusion of women. In South Africa, guidelines for land reform do not ensure gender equity. Officials continue to believe that women are not capable of managing economic production projects; therefore, project activities are focused on men. Even though the national agrarian reform policy states the need for gender equity, local offices lack the mechanisms to implement this policy effectively (box 10.19).

### **Box 10.19 South Africa: institutional constraints**

Redistributive land reform is an important component of South Africa's post-apartheid land policy. Grants are provided for poor households to acquire land plus associated productive infrastructure in the market. After three years, approximately 200,000 hectares of land were transferred to 20,000 households, representing only 0.6 percent of the target. A highly centralized approval process in the Department of Land Affairs (operating independently of the Department of Agriculture and provincial authorities) slowed implementation, and limited beneficiary participation in the planning process resulted in the approval of large projects based on collective production, which have not done well. The government has since issued policy directives allowing for a more decentralized program to be implemented with the active involvement of beneficiaries and participation of the private sector, NGOs, and local governments.

Source: Deininger 2003

*Technical support.* Conventional land reform programs, featuring land transfers but no technical assistance and training, have not enabled beneficiaries to increase agricultural productivity and income. Land reform programs, whether community-managed or conventional, should generally ensure that adequate technical support is provided to beneficiaries both during and after the land acquisition process. Local institutions, such as NGOs, farmer organizations, and government agencies, can assist beneficiaries in selecting viable farm projects, evaluating land productivity potential, negotiating purchase prices, and arranging financing for land and capital requirements not covered by the purchase grant.

*Program evaluation.* Community-assisted land reform projects are recent and have not been thoroughly evaluated—a priority for future programs. A monitoring and evaluation system focused on project quality indicators rather than on physical quantity indicators helps to identify and rectify implementation problems and assess long-term impacts (Deininger 1999).

*Bank land purchases.* In many community-managed land reform projects, a substantial delay has been caused by limits on Bank financing to nonland costs of projects. The inability to fund land acquisition has prevented the Bank from financing integrated land reform pilot projects. Recent policy changes have eliminated the blanket prohibition, provided that analysis demonstrates that land purchase is an efficient means of acquiring land; the land is for community-based land reform projects and is purchased by beneficiaries; the program results in increased productivity; there is a strategy for dealing with any land market distortions; and that there are satisfactory management arrangements covering use of funds, monitoring and evaluation, and analysis of political risk.

## **Lessons Learned**

*Improving land markets.* Land reform involving land purchase or rental requires transparency in land markets—in other words, information on land prices. In addition, land reform beneficiaries need to be able to assess the value and productive potential of the land. Strategies for dealing with these challenges include providing technical assistance at the community level, cofinancing land purchases through private financial intermediaries, and developing a market information system for land sales prices.

*Focusing on productive projects.* Productivity-oriented projects are key to community-based land reform, because they offer an objective criterion for establishing land prices, provide a basis for evaluation and support by financial institutions, and require beneficiaries to plan to become independent farmers.

*Assessing potential supply and demand for land.* The potential demand for and supply of land for a project should be identified at the local level with the support of the central government. Assessing this demand requires raising awareness among potential beneficiaries, incorporating land reform into an overall local development strategy, and developing realistic expectations for land reform. Local agencies should ensure that the supply of family-sized parcels of land exceeds demand. A general rule used in some

cases has been that—to prevent an increase in land prices—the supply of available land should be at least three times the amount needed for the land reform program. A land inventory is useful to classify land by parcel size and to identify target areas not already characterized by very small landholdings that are suitable for agriculture.

*Decentralizing implementation.* Negotiations at the local (decentralized) level have proven to be faster and more cost-effective than conventional centralized reform programs. Participation of

community organizations facilitates land reform implementation, and local training programs improve the ability of beneficiaries to negotiate with landowners over prices (rental or sales) and to plan use of their land.

*Maximizing use of market mechanisms.* Two lessons are evident in financing of community-based land reform. First, a grant used for land purchases and investments is clearly preferable to subsidized loan schemes, though provision for some payment for land is appropriate. Second, without assured access to financial markets, the sustainability of land reform is limited. An integrated land reform project develops land markets jointly with other factor markets, and it helps beneficiaries with technical assistance to improve their skills.

## Recommendations for Practitioners

Investments in community-managed land reform should be guided by the following considerations (box 10.20):

- Analysis through economic and sector work determines the project's context and evaluates the appropriateness of using market mechanisms for land reform.
- Project appraisals examine local land markets to ensure their robustness to facilitate efficient land acquisition. If not, a policy component is needed to address constraints and facilitate the operation of land markets.
- Projects ensure that land purchase prices are in line with market prices.
- Technical assistance and training provide assistance to beneficiaries to negotiate land acquisition, plan on-farm investments, manage farm operations, and access credit.
- Local implementing agencies establish capacity to verify land status, confirm market prices, and appraise community subprojects.

## Selected Readings

Asterisk (\*) at the end of a reference indicates that it is available on the Web. See Appendix 1 for a full list of Websites.

### Box 10.20 Potential investments

- Studies of land availability and functioning of land markets.
- Training and technical assistance to strengthen local coordinating agencies (local government, NGOs, citizen groups, or consulting companies).
- Operating costs for local coordinating agencies.
- Financing for land purchase and for investment and operating costs for farming operations.
- Technical assistance and training for new landowners.
- Program monitoring and evaluation.

Source: Authors

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## Kyrgyz Republic: Benefits of Securing and Registering Land for Rural Development

Since independence in 1991, the Government of the Kyrgyz Republic has sought to promote market reform. An important part of this reform is a program to privatize land and secure property rights in land and other immovable property.

**What's innovative?** Low-cost procedures for systematic registration of title

By the end of the 1990s, most agricultural land that was once farmed collectively had been broken up into private household farms. Securing formal rights to this land was seen as an essential step towards providing a stable, long-term framework for investment in the land and for land markets to begin functioning efficiently and transparently. The Registration Law was adopted in 1998, and in 1999 the government established the State Agency for Registration of Rights (Gosregister). Based on several existing organizations, the new agency was responsible for registering rights to land and maintaining the land cadastre. The Kyrgyz Land and Real Estate Registration Project was undertaken to assist the government in implementing the new system of registration and carrying out an extensive, systematic registration of properties.

### Project Objectives and Description

The project supports the development of markets for land by securing and protecting property rights through a parcel-based title registration system. Specifically, it aims to:

- Increase the productivity and value of land and other real estate.
- Facilitate the use of property as collateral and reduce transaction costs in title transfer and mortgaging.

The project has utilized pragmatic, low-cost procedures in land parcel surveys and adjudication, drawing upon information on immovable property in existing databases and relying on village and neighborhood community structures in the systematic registration program. The project has two main components:

- It establishes a system for registering rights, including the development of business regulations and processes and the establishment of a nationwide network of Local Registration Offices (LROs) for secure registration of real estate parcels and associated rights. This component handles on-demand (or “sporadic”) registration of rights.
- It supports an extensive program of systematic registration of rights, covering more than half of the properties in the country.

The project focused initially on building upon the 1998 Registration Law to develop registration procedures and on getting the LROs up and running. Cost, affordability, and quality of services were important considerations. The project took advantage of the high education levels and relatively low labor costs in the country to define an efficient, paper-

based system for registration. After business processes were tested, automation was introduced in those locations where there was clear market demand for such capability. Automation continues to be introduced in a phased manner consistent with sound business justification.

In drawing upon existing mapping and survey information and using low-cost, pragmatic field survey work, the systematic registration program has sought to balance the accuracy of land parcel depictions with market demand for accurate information and the beneficiaries' willingness to pay for it over the longer term. Village and neighborhood block organizations have played a central role in communicating with the population during the registration program, from the initial publicity and orientation through the end of the public viewing period. Existing data on land occupancy were also helpful in reducing costs and facilitating the roll-out of the systematic registration program. The project was coordinated with the land privatization work of the Agriculture Support Services Project, which had a component aimed at assisting the government in dismantling the large collective farms inherited from the Soviet period.

The project also linked with work on rural finance, particularly the Rural Finance II Project. Registration titles are required by lenders for the supply of mortgage credit.

### **Benefits and Impacts**

The primary beneficiaries of this project have ranged from private farmers to small- and medium-sized enterprises and urban property owners. Under the program of sporadic (on demand) registration, 500,000 properties have been registered, of which 260,000 are secondary transactions. These levels of registration and secondary transactions reflect an annual growth of more than 10 percent in land and real estate transactions. The systematic registration program began in urban areas, where nearly 1.2 million properties have been registered, and was extended into rural areas in 2004. More than 300,000 rural properties are ready for registration, and when the project closes at the end of 2007, it is expected that roughly 500,000 of the total estimated 1.3 million rural land parcels will be registered. The project has helped to develop widely used procedures for regularizing titles when documentation is incomplete or when discrepancies exist between documents and the situation on the ground. The costs of systematic registration are covered by the project. The impacts on rural areas have been substantial. The project has made it possible to initiate mortgage lending to agriculture, and although lending remains largely short term for the time being, it represents a significant departure from conditions prior to the project. The project also facilitated the development of an active lease market for agricultural land. A mid-term social assessment showed broad beneficiary support for the increased security of tenure provided by the project.

### **Lessons Learned and Issues for Wider Applicability**

The project confirms a number of principles with respect to land administration projects. First, the project benefited very directly from having a single agency responsible for registering rights as well as maintaining the cadastre. The systematic registration program benefited from the use of pragmatic approaches in land surveys, from testing technical

considerations in the context of beneficiary demand, and from using administrative rather than judicial procedures for adjudication. Significantly, the pragmatic survey methods have not increased the number of land disputes, and the straightforward procedures for regularizing titles have greatly increased the coverage of the systematic registration programs. The initial foundation for the project was the establishment of the legal and institutional framework for registration, which allowed for rapid progress when registration began. An important benefit to the project was that considerable information on land already existed and could be used fully. Lastly, the project demonstrated the potential synergies between a land registration project and other interventions directed at land reform and development of rural finance.

<b>Country</b>	Kyrgyz Republic
<b>Project Name</b>	Land and Real Estate Registration Project
<b>Project ID</b>	P049719
<b>Project Cost</b>	US\$9.4 million
<b>Dates</b>	FY 2000 – FY 2008
<b>Contact Point</b>	Jessica Mott The World Bank, 1818 H Street NW, Washington, D.C. 20433 Telephone: (202) 458-5607; Email: jmott@worldbank.org

## Brazil: Participatory Negotiations and Market-Assisted Land Reform

The Northeast, accommodating one-half of all Brazilian poor people and two-thirds of all rural poor people, is vulnerable to drought and has a relatively poor resource base. Additional constraints to improved investment and productivity in agriculture include ineffective financial systems and distorted land distribution. Studies have shown that smaller family farms in Brazil are more productive and labor intensive than large farms. The highly distorted land ownership pattern is the result of economic distortions, including subsidized agricultural credit, high inflation, and inappropriate tax provisions. Past approaches to land reform, based on centralized government-administered expropriation and redistribution, have had limited success. As a result, the government was interested in experimenting with faster, cheaper, and less conflictive approaches to land reform.

**What's innovative?** A market-based approach to land reform with negotiations made directly between willing buyers (poor beneficiaries) and willing sellers, with financing for purchases made available through a government fund.

### Project Objectives and Description

The objective of the Land Reform and Poverty Alleviation Project was to raise agricultural output and increase poor family incomes by providing improved access to land and funds for complementary investment subprojects planned and implemented by community associations. The project experimented with a program of market-assisted land reform in which beneficiaries are given access to financing for the purchase of suitable land. The purchases are negotiated between willing sellers and willing buyers. Five states were selected for participation in the pilot project based on the severity of the landlessness problem and conditions for successful implementation (that is, the immediate availability of land in the market and the capacity of the State agencies to implement the project). The project had five components:

- A land purchase fund to finance land purchases.
- Community subprojects (small matching grants to communities for investment projects, technical assistance, and start-up).
- Institutional strengthening (technical assistance and training at the state level).
- Project administration, supervision, and monitoring.
- Impact evaluation and dissemination by the federal government.

Community associations consisting of landless rural workers or rural workers owning land sufficient only for subsistence farming selected suitable land and negotiated its purchase with willing sellers. Following negotiations, the associations consulted with the State Land Institute to confirm that the title was clean and that the negotiated purchase price was consistent with market conditions. Communities then presented their project to the State Technical Unit (STU), which verified the eligibility (based on agricultural

skills) of the beneficiaries. At this stage, beneficiaries were eligible for credit from the Land Purchase Fund with credit initially given for a 10-year period with a three-year grace period at the government long-term interest rate. Decisions regarding land allocation to individual members and corresponding payment obligations were made internally within the association.

Communities that participated in the Land Purchase Fund program were eligible to present proposals for complementary community subprojects and technical assistance to establish their settlement and improve productivity of the acquired land. The community subprojects could be infrastructural, social, or productive, and they could be funded through matching grants by the project. Community labor and land constituted the counterpart contribution by the community.

### **Benefits and Impacts**

The process has proven to be fair and flexible. There is self-selection of beneficiaries, who because they are expected to repay their land purchase loan, have an incentive to bid down the land price. Thus, by default, there has been an automatic focus on poor and underutilized lands where social gains are maximized. Other achievements include:

- The number of families estimated to have benefited by the end of the project is 16,439, about 110 percent of what was expected at appraisal (15,000 families).
- The cost per beneficiary was reduced from US\$11,600 to about US\$3,000.
- Newly-acquired farms show favorable expectations for economic and financial viability, generating sufficient earnings to finance debt and improve living standards.
- Beneficiaries are less vulnerable to drought and other climatic/economic risks.

### **Lessons Learned and Issues for Wider Applicability**

- Community participation in the identification, financing, and implementation of subprojects that meet the beneficiaries' most pressing needs increases the sense of ownership and sharpens the project focus on poverty reduction. Technical assistance should be provided to rural communities and smallholders to enable them to identify, design, and implement their own subprojects, thereby improving their capacity to compete for investment funds.
- Self-selection of beneficiaries is critical, but information on the abilities of candidates is frequently limited. Technical assistance, cofinancing, and management information systems can reduce these information limitations.
- Decentralized and demand-driven implementation is critical to achieving effective coordination of the various entities involved in the process.
- Long-term viability is dependent on the availability of working capital and marketing of increased agricultural production as a result of diversification and improved productivity. Complementary investment in infrastructure and services is necessary.
- New community associations require special support to build human/social capital.

<b>Country</b>	Brazil
<b>Project Name</b>	Land Reform and Poverty Alleviation Pilot
<b>Project ID</b>	P006475
<b>Project Cost</b>	US\$150 million
<b>Dates</b>	FY1998 – FY 2003
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## The Lao People's Democratic Republic: Preserving Women's Rights in Land Titling

The Lao People's Democratic Republic (Lao PDR) is one of the poorest and least developed countries in East Asia. Since 1986, the Lao government has been transforming the economy from a centrally planned to a market-oriented system. Lao law provides that all land is owned by the state, with the state allocating perpetual, inheritable and marketable use rights to individuals based on existing possession and custom.

**What's innovative?** A conscious, comprehensive approach to including women's issues in the design and implementation of a land reform program increased the recognition of women's land rights, conferred greater security of tenure, and provided new access to credit for women.

In practice, women have less access to the land than might be expected under prevailing customs, which differ substantially among ethnic groups but generally allow women to inherit land. Women tend not to be able to exercise their rights where residence is patrilocal. When women move to their husbands' villages, they have less access to land and farm smaller and more dispersed plots. Pressure from men to appropriate women's land is very real.

The Lao government has engaged in systematic land surveys and titling of land use rights in urban and periurban areas of seven provinces since 1993. Titling provides security of tenure and improved access to credit markets, because land can be used as collateral. Women landholders should benefit from this program as much as men because they comprise 51 percent of the population and 53 percent of the agricultural labor force. Under national law, men and women are now equally entitled to hold property, and the Family Law specifies that any property purchased during marriage is regarded as joint property. Land owned by a woman prior to her marriage remains her individual property, as does any land she inherits from her parents.

But women have been disadvantaged in earlier titling work in which their customary rights had to be proven largely through the oral testimony of their kin. Women generally have lower literacy rates, a heavy family workload, and a lesser role in public affairs. As a result, they often do not have the time—or understand the need—to participate in land adjudication and titling processes.

### Project Objectives and Description

Since 1995, a collaborative effort by the Lao government, AusAid (Australian Agency for International Development), and the World Bank has sought to address the land use rights and inheritance issues affecting women. The Laos Land Titling Project I has integrated gender-sensitive strategies into its implementation in urban and associated village areas in six provinces where both matrilineal inheritance and patrilocal residence prevail. The overall objectives of the project are to foster the development of efficient land markets and to facilitate domestic resource mobilization by providing a system of

clear and enforceable land use ownership rights, as well as by developing a land valuation capacity. The project focuses on development of a legal and policy framework for land management, land titling, valuation, and administration.

The Customer Relations Service of the Department of Lands worked with the Lao Women's Union (LWU) and its nationwide network of branches and members to ensure women's titling rights in project implementation. They have developed a training curriculum to reduce gender bias among field teams and village authorities and produced posters and brochures on land rights specifically for women in targeted villages. They have written weekly news bulletins on activities of the land titling project for radio and newspapers and performed a drama on women's titling issues on television.

In the field, the LWU works closely with local women through a series of meetings: a whole village meeting, women's focus group meetings, and household group meetings. These meetings reached 2,285 people, almost one-half of whom were women. In the meetings, the LWU communicates information regarding women's rights under the Family Law, inheritance law, property law, and land law. Women are urged to make sure they get their names on titles where appropriate and to participate actively in all stages of adjudication and titling.

The proposed Second Land Titling Project will be the second phase of the long-term land titling program. It aims to develop the land administration capacity to support the country's economic development and poverty reduction goals.

### **Benefits and Impacts**

The number of land titles issued to women or to women jointly with their husbands has increased. In areas where the systematic titling project is operating, 34 percent of titles are in women's names, 38 percent are joint titles, and 24 percent are in men's names. Outside the project area, 15 percent of land titles are in women's names, 28 percent are joint titles, and 56 percent are in men's names. A woman's name on the title is a defensive measure, protecting her in the event of a change of family status through marriage or divorce and from arbitrary decisions by her husband over the disposition of her land or conjugal land.

Women are using their new land titles to secure credit. In the project areas, 51 percent of those who mortgaged land were men and 49 percent were women. Women have both the tenure incentive and the credit to invest in sustainable land-management practices and productive activities, which increase household income and expand the local economy.

Moreover, a study conducted in 2002 indicated that land titles are becoming more important forms of collateral and that the size of loans has increased with the use of land titles.

## Lessons Learned and Issues for Wider Applicability

The project has provided an opportunity for the government agencies to interact more effectively with local women at the district and village levels through a key women's organization, and thus it has made important advances in titling land to women.

<b>Country</b>	Lao PDR
<b>Project Name</b>	Land Titling Project I and II
<b>Project ID</b>	LTP I: P004208 LTP II: P075006
<b>Project Cost</b>	LTP I: US\$28.4 million LTP II (orig.): US\$23.9 million
<b>Dates</b>	LTP I: FY 1997 – FY 2004 LTP II: FY 2004 – FY 2009
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