



Land Rights for Poor People Key to Poverty Reduction, Growth

By Klaus Deininger

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Strengthening poor people's land rights and easing barriers to land transactions can set in motion a wide range of social and economic benefits including improved governance, empowerment of women and other marginalized people, increased private investment, and more rapid economic growth and poverty reduction, according to a new World Bank report.

Land policies are at the root of social conflicts in countries as diverse as Cambodia and Colombia, Zimbabwe and Cote d'Ivoire. Political controversies, the complexity of land issues, and the fact that benefits of policy improvements accrue to people who are politically weak all hinder reform. As a result, festering land issues slow poverty reduction in many developing countries and sometimes lead to bloodshed.

Yet a growing number of countries are successfully addressing land policy issues. "Land Policies for Growth and Poverty Reduction", a World Bank Policy Research Report by Klaus Deininger (Oxford University Press and the World Bank 2003), shows that countries as diverse as China, Mexico, Thailand, Uganda, and some transition countries in Eastern Europe have begun to address land policy issues in ways that benefit everybody. Although approaches vary, providing poor people secure tenure and facilitating land transactions are key.

"Development is fundamentally a process of change. Central to this is the increasing productivity and intensity of agriculture, of people shifting from farms to industry and services, and from the countryside to towns and cities," says World Bank Chief Economist Nicholas Stern. "Secure land tenure, especially for poor people and for women, whose land rights are very often ignored, is a key precondition for this, as is the ability to exchange land rights at low-cost."

Stern adds that governments have an important role to play in providing the legal and regulatory support needed to strengthen poor people's land rights and reduce the cost of land transactions, such as boundary demarcation, conflict resolution mechanisms, and land registries. "Effective land policy fosters investment and enhances productivity, and helps to empower poor people to participate in economic opportunities and in society more generally," he says.

In many developing countries, governments own much of the land that poor people work and occupy. Land also may be held under traditional systems that are not legally recognized or that the legal status of the land may be otherwise unclear. Virtually everywhere land tenure systems discriminate heavily against women, with negative consequences for the entire society.

In all these situations, lack of secure tenure undermines incentives for poor people to invest in their land, such as small farmers building terraces or irrigation, or slum dwellers laying a cement floor or putting on a new roof. In addition, poor people with insecure land tenure are often afraid to criticize corruption or other abuses of power because they fear that officials will take away their land access.

Governments can address these problems by recognizing poor people's rights to the land that they legitimately occupy. In cases where the government itself owns the land, this requires giving secure leases or transferring ownership to the occupants. In other cases, it will mean clarifying the rules, granting legal rights and establishing ways to resolve conflicts and defend rights against challenges.

The study shows that increased tenure security increases the value of land and can greatly increase poor people's wealth, in some cases almost doubling it. Poor people with secure land tenure are more likely to invest in the land. They are also more likely to speak out against corruption and to demand basic services, such as health, education, roads and water. Where credit markets function, formal land rights can make it easier for poor people to borrow money, such as for starting a new business.

Many of these benefits are evident in Mexico. Starting in 1992, Mexico transferred rights to 50-million hectares of state land to local communities known as *ejidos*. The transfer was supported by new laws, agrarian courts, a massive education campaign, systematic boundary demarcation, and award of land certificates to communities and individuals. The program raised incomes, improved governance, and stimulated growth of the rural non-farm economy.

"Formally recognizing the land rights of poor people is a clear win-win policy," says Klaus Deininger. "Perhaps surprisingly, we also found that land rentals make a tremendous contribution poor people's well-being. Land rentals make it easier for poor or landless people with the necessary skills to use land productively and to gain land access or to expand their holdings. This benefits everybody," he says.

Many developing countries, such as Bangladesh, India, and Ethiopia, impose restrictions on land rentals in an effort to limit the exploitation of landless people. The study finds that such policies often backfire. Instead of protecting poor people, they reduce poor people's access to land, foster petty corruption and red tape, and discourage the investment that is needed for jobs and poverty-reducing growth.

The long-term effect of such problems can be substantial. One study estimates that tenure insecurity and restrictions on land markets in India have reduced annual per capita growth by 1.3 percentage points. Had these problems been addressed ten years ago, the resulting higher economic growth would have made it possible for millions of additional people to escape from poverty.

Land rentals can facilitate development and increase productivity in ways that benefit poor people. In China, studies show that rentals raise the income of former farmers

Center for International Private Enterprise
1155 15th St., NW, Suite 700
Washington, DC 20005
202/721-9200 (tel) -- 202/721-9250 (fax)
WWW.CIPE.ORG

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who take off-farm jobs and rent out their land, as well as the people who obtain land access through rentals. In Uganda, the share of households renting land from others increased three-fold from 1992-1999, to one-out-of-three families. The increase in rentals coincided with a period of rapid growth and poverty reduction. Similar trends are also evident in Latin America.

While secure tenure and rentals overwhelmingly benefit poor people, sales rarely improve land access for the poor. Poor people faced with crop failures, a serious family illness, or other economic shock are often unable to borrow and may be forced to sell their land at distress prices. This can result in speculators amassing large land holdings and depriving poor people of land access.

Land sales restrictions and ownership ceilings are meant to protect poor people in such circumstances. However, restrictions often merely force the sales underground, to the detriment of everybody. A more effective response would be to improve social safety nets, such as by offering food for work programs.

History has left some countries with a highly unequal distribution of land and other assets. High levels of inequality inhibit growth and make it very difficult for poor people to share in whatever growth occurs. In this case, government intervention to redistribute assets, including but not limited to land, can be a worthwhile investment in a country's future.

While there is agreement that the post-World War II land reform programs in Japan, South Korea, and Taiwan (China) were highly successful, the results of land reform efforts in other countries have been mixed, despite significant efforts.

Based on a large number of studies on the subject, in order to be successful, reform efforts need to be backed by political commitment, integrated into a broader approach to development, and implemented transparently and in partnership with civil society. Objective evaluation of land reform initiatives in a number of countries where land issues have recently received fresh attention would be of great value.

"There is no 'one size fits all' approach to land policy," says Deininger. "Adapting to local conditions and involving all stakeholders is essential to the design and implementation of effective land policies."

The full text of "Land Policies for Growth and Poverty Reduction", a World Bank Policy Research Report by Klaus Deininger is available on the World Bank website, www.worldbank.org. Additional information on property rights and land tenure, including a recent webcast of a Property Rights roundtable co-sponsored by the Center for International Private Enterprise (CIPE), Fannie May, American Land Title Association, Appraisal Institute, and International Real Property Foundation, is available on the CIPE website, www.cipe.org.

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