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INTERNATIONAL DEVELOPMENT ASSOCIATION

Land Policy

SECURING RIGHTS TO REDUCE
POVERTY AND PROMOTE GROWTH

IDA at WORK

September 2009

SUSTAINABLE DEVELOPMENT NETWORK



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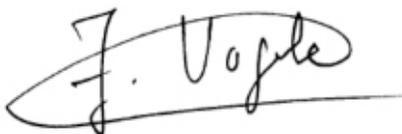
The ways in which land is distributed, owned, managed, and can be exchanged, has long been recognized as fundamental for economic growth, poverty reduction, good governance, and gender equality. A number of factors, including population growth, rapid urbanization, and, most recently, rising food prices and the demand for bio-fuels are increasing demand for land and have put this issue center stage in the development debate.

There is now acceptance that one of the prerequisites of a poverty reduction strategy is to improve access to land by the poor. The design and implementation of policy and institutional reforms at the country level to increase tenure security and documentation of land rights, improve land access through market and non-market mechanisms, and promote effective land use are development priorities.

Land tenure is a relatively small but growing component of IDA lending, complemented by intensive policy and analytical engagement. The complexity and long term nature of land related programs requires a strong analytical base and long term engagement in programs.

As pressure on land availability continues to grow, land policy lending and analysis will only become more important

This document highlights two principles of land policy programs: security of tenure and the transferability of rights and land access. It showcases recent successful results and is a useful record of the increasing recognition of the importance of land rights in development and poverty reduction.



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The World Bank

IDA at WORK

Land Policy: Securing Rights to Reduce Poverty and Promote Growth

Land and property are usually the most important physical assets for poor households. In low-income countries served by the World Bank's International Development Association (IDA), land reform is an important part of IDA's overall effort to address poverty and growth constraints, foster better environmental management, and promote gender equality. It also helps societies rebuild after conflicts and natural disasters. Securing land rights is of particular importance in a context of rapidly increasing demand for land amid increased urbanization and escalating commodity prices. Global experience shows that actions to improve security, access, and transferability of land increase the value of household assets, generate higher levels of investment and agricultural productivity, and facilitate access to credit.

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

SECTOR STRATEGY

A relatively new field

IDA lending on land issues started roughly 15 years ago, with growth since 2000 that represents the fruition of long-standing research and analytical work by the World Bank. As the analytical understanding of global land issues has deepened, largely through the World Bank's leadership, governments have increasingly sought projects in the sector and partner institutions have been very active to serve this demand, including many bilateral donors, the Food and Agriculture Organization, UN-Habitat, the International Land Coalition, and non-profits such as the Bill & Melinda Gates Foundation.

Land sector work is still in early operational



A Strong Analytical Base

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

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

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

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

Higher and more volatile commodity prices, demand for bio-fuels, and expected carbon payments in the wake of the food and fuel crisis resulted

in significantly increased demand for land. Without clear land rights and systems to enforce and record them such investment can create conflict, displacement of local residents, and corruption rather than helping to increase food security, generate jobs, and provide access to technology. To avoid such undesirable outcomes, a number of countries started to think about ways of combining local land use planning with demarcation of rights and a thorough review of land administration data structures as the best way to realize the opportunities inherent in this while avoiding the risks.

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

1. The importance of tenure security.

Security of property rights and the ability to draw on local or national authorities to enforce those rights

are keys to increasing incentives for investment and for productive land use. A wide range of options, from full formal title to legally-backed mechanisms at the community level, can result in higher levels of tenure security. Worldwide studies have shown significant increases in the land values of plots with more secure tenure. Measures to improve tenure security can also improve the welfare of the poor who may have to spend large amounts to ‘informally’ secure rights, reduce the scope for manipulation (often by state representatives) and conflict, and improve incentives for investment and resource conservation.

For these reasons, programs to make land rights more secure have long formed a major thrust of IDA programs in this area, accounting for the largest share of resources spent in IDA’s land portfolio.

2. Transferability of rights and land access.

Improvement of tenure security provides direct benefits only to those who have access to land. Making land rights transferable not only further increases investment incentives but also allows the landless to access land through sales and rental markets or through public transfers.

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

IDA, which has developed technical expertise in

this area, is assisting countries to realize the full benefits from land rental as well as mechanisms to change markets by ensuring that tenure security is high enough to facilitate long-term contracts and by eliminating unjustified restrictions on the operation of such markets.

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

RESULTS

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

The Armenia Title Registration Project (FY99) has successfully promoted private sector development by implementing a transparent, parcel-based, easily-accessible, and reliable registration system for land and other immovable property. By the end of the project in FY05, the state registry system had 47 fully functioning Information and Registration Centers throughout the country. **Almost all of the country’s 2.5 million privately-owned land parcels and buildings were surveyed.** Just over 1 million

property records had been stored in the central database. The reforms have played a fundamental role in the resurgence of the economy's two leading sectors: agriculture and construction.

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

A \$ 5.0 million land component under the Ethiopia Sustainable Land Management Project builds on a hugely successful home-grown project that has, over a three-year period, awarded land certificates to more than 25 million parcels. In addition to having enhanced investment and productivity of land use, this has also helped to empower women (e.g. by allowing them to enforce their land rights in case of inheritance or divorce) and reduced conflict. The component is establishing ways to ensure full coverage with certificates for individual and group rights as well as a system to ensure their continued updating. While the project is focusing on areas threatened by severe land degradation, the Government has already requested the Bank and other donors to help with implementing the lessons learned in a nation-wide program.

The Kyrgyz Republic Land and Real Estate Registration Project (FY00) supported the development of markets for land and real estate for more intensive and effective use by introducing reliable



property rights registration. The primary beneficiaries of this project have ranged from private farmers to small- and medium-sized enterprises and urban property owners. Under the project, **virtually all real estate units in settlement areas (i.e., parcels with buildings) have been entered into the state registry**—almost 1.2 million units in total, including about 600,000 units that have been

regularized. Outside of the settlement areas (i.e., parcels without buildings), over 570,000 parcels had been entered into the registry on a systematic basis as of June 2006.

The number of mortgages, which were virtually nil prior to the Project, reached a cumulative annual total of 22,400 in the year 2002, the first year when most of the registration offices were operational, and doubled to 45,300 in 2007. The cumulative value of mortgages registered within a one period increased by more than 10 times between 2002 and 2007 to reach US\$1.1 billion, roughly one-third the value of annual Gross Domestic Product (GDP) for the country. Most of these mortgages were short-term loans backed by immovable property as collateral. In 2007, outstanding longer-term residential mortgages were valued at US\$87 million, or roughly 2.6 percent of GDP compared with virtually nothing prior to the Project. Underlying this growth in mortgage market activity was the growth in average property values,

which increased from slightly less than US\$5,000 in 2002 to over US\$30,000 in 2007. Sales markets also roughly doubled between 2002 and 2007, going from 25,900 sales at the beginning of the period to 48,100 at the end.

The Honduras Access to Land Pilot Project (FY01) is demonstrating how land market imperfections can be overcome to achieve improved land access through market channels. As a pilot program, the Pilot Project demonstrates a public-private partnership strategy where private sector lending institutions provide funds to purchase land and the project provides public financing for complementary investments and technical assistance to improve the productivity of the newly-acquired properties. The targets of the pilot phase have been achieved and surpassed. **About 1600 farm families are now participating in local land markets and have**



established sustainable farm enterprises.

One of the main successes of the project is the good quality of the loan portfolio for land purchase which, on average, has a default rate of less than five percent. Many households have paid off their debts ahead of schedule. Beneficiary incomes have increased through improved land productivity and output in project sites. On average, the annual income of the participating households had doubled (from US\$600 to US\$1,300) by the end of the project in December, 2006.

The Pilot Project is working to institutionalize and expand the program.

The Malawi Community Based Rural Land Development Project (FY04) builds on the new land policy adopted by the country in 2002 with IDA support. The project seeks to increase the incomes of about 30,000, poor rural families by implementing a decentralized community-based approach to land acquisition and farm development in four districts. By November 2008, 12,656 families (406 beneficiary groups) were settled on 27,998 hectares of land that they had acquired. Some 550 sub-projects for productive and social investments on the acquired lands have been received. **After relocation to the acquired lands, gross margins per hectare have risen ten-fold for hybrid maize from the pre-relocation baseline.**

The Ghana Land Administration Project (FY04) also demonstrates the efficacy of IDA-supported operations in helping a country work through a complicated legacy of traditional and colonial land administrations that have led to under-investment and disputes. The major accomplishments of the project since it began in 2004 include: (i) the passage of the Lands Commission Act 767 (2008) by Parlia-

ment on October 29, 2008, which merges four land sector agencies into a single entity – The Lands Commission (LC); (ii) decentralization of deeds registry to all the nine regional capitals, effectively bringing the registration of deeds closer to the clients; (iii) the establishment of Customary Lands Secretariat in 38 traditional authority jurisdictions – exceeding the target of 30 for the project; (iv) reduction of backlog of land cases in Accra courts and the automation of five land courts in Accra and; (iv) completion of inventory for state-acquired lands in 29 districts. Also completed is the first phase of Geodetic Reference Network covering the golden triangle of Accra, Kumasi and Takoradi. There has been an increase in registration by women (more than 400 percent in the three northern regions from 2003), an increase in revenue levels accruing to land sector agencies, and improved access to credit because of property documentation.

The Sri Lanka North East Housing Reconstruction Program (FY05) has facilitated the reconstruction of 31,200 houses in the North East region over a four-year period since its inception through the provision of housing support cash grants. In doing so, it supports the return of displaced populations in the North East and the regularization of land title to targeted beneficiaries. It contributes to the training of skilled construction workers, consequently allowing the resumption of economic activity in the war-devastated region through increased construction activity.

In its first 15 months, the project had implemented a rapid land dispute/regularization methodology to resolve a range of land tenure problems. The Land Task Force received some 90,000 grievances during its first 15 months of operation, for which it launched inquiries into about two thirds and resolved about

half, permitting issuance of title and clearing the way for rapid home reconstruction during the cease-fire period.

Under a Multi-Donor Trust Fund Grant of US\$ 28.5 million, the **Reconstruction of Aceh Land Administration Systems** has, since September 2005, helped to reconstruct the land administration system in the tsunami-affected Indonesian province. With strong participation by non-governmental organizations, it adopted an innovative community-based approach to systematic adjudication that facilitated resolution of land disputes at the local level. This helped to reduce the land grabbing and speculation that were commonly observed in other tsunami-affected countries. As of March 31, 2008, 207,341 parcels had been surveyed/mapped, 166,116 adjudicated, 111,045 title certificates had been distributed to land owners, and more than 120,000 houses were constructed on plots covered by community land mapping techniques.

The Andhra Pradesh Rural Poverty Reduction Project Land Component (FY03) is demonstrating cost-effective results in facilitating land access for

landless and nearly landless rural inhabitants. As of September 2008, the land component of this project had transferred over 4,500 acres of high-quality irrigated farmland to 5,300 beneficiaries, at a cost of approximately US\$1,200 per beneficiary. Virtually all the beneficiaries are from the poorest segments of the community. The project has also pioneered legal services to poor families to resolve existing land claims and prevent future problems. Land issues on a total of 200,000 acres affecting a comparable number of poor have been resolved by the legal services program. The Government of Andhra Pradesh is planning to expand this program further in the next five years.

IDA'S CONTRIBUTIONS

Lending.

IDA lending dedicated specifically to land administration has been growing from zero prior to 1995 to some US\$30 million per year in 1995-2000, US\$40.0 million per year in 2001-2006, and US\$60 million per year in fiscal years 2007 and 2008. The pipeline of dedicated land administration projects in IDA countries amounts to some US\$37.0 million.

These amounts are still only a small share of total IDA lending, though. One reason is the nature of these projects. They are typically focused on helping develop policies and build or strengthen institutional infrastructure, and the average project size tends to be small in dollar terms. Another reason is that land administration has been more frequently addressed in projects that were not primarily dedicated to this 'theme'; in fact, there have been as many as 89 such IDA projects since 1995.

Land components as secondary themes are playing critical roles for achieving broader goals in rural development, irrigation, housing and urban services projects among others. In total, there have

IDA Lending with Land Administration as a Theme			
Land Administration Theme Rating	No of Projects	IDA amount US\$ million	Thereof: AFR+SAR
First theme	22	916	553
Second or further theme	89	4,664	2,159
TOTAL	111	5,579	2,712

Source: ARD Lending database.

been almost 111 IDA projects amounting to US\$5.6 billion that addressed land administration. Approximately half of this lending was in Sub-Saharan Africa and South Asia.

Dedicated land administration projects in particular have generated consistently strong outcomes. Among all completed IDA projects with land administration as the primary theme, the World Bank's Independent Evaluation Group has found 95 percent to have satisfactory outcomes.

Interaction between lending and non-lending activities.

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

Collaboration with partners.

Given the complexity and long-term nature of land related institutions, work on land would not be possible without strong partnerships with a wide range of academic, civil society, and development institutions. The World Bank has been contributing to



Land issues are deeply rooted in countries' histories and are often politically sensitive. Efforts to address them must be solidly grounded in empirical research, often building on carefully evaluated pilots.

recent initiatives such as the High Level Commission for Legal Empowerment of the Poor, the Global Land Tools Network and the International Land Coalition. It also collaborates closely with FAO, the UN Development Program, the International Fund for Agricultural Development, the European Community, and several regional development banks, and is collaborating with the private sector through the International Federation of Surveyors, to organize regional workshops and capacity building events.

New demands and new approaches.

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

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

Second, in East Asia and the Pacific, Sub-Saharan Africa, and Latin America and the Caribbean, there has been a new openness of political regimes to market-driven, private sector development. This has been accompanied by a frustration in some rural areas with the lack of results in land reforms of the past, and a broader recognition of the role that land assets play for investment and productivity. Coupled with recognition of instances of market failures, this drove the land agenda forward in country dialogues facilitated by IDA's analytical assistance. This same process is now occurring in India and other parts of South Asia. The World Bank invested heavily in policy dialogue and analytical work to guide development

efforts, and used an evolving global body of best practice to offer clients high quality technical advice and strategies for success. Consider for example the use of single agency models, systematic adjudication and community-based land reform.

Key IDA strengths in this sector.

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

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

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

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



Challenges encountered and lessons learned.

Land sector work in low-income countries faces many challenges. Policy and legal frameworks are often deficient, reflecting distortions from colonial or socialist pasts, or accommodations to armed conflicts, and prevent the establishment of clear property rights (individual or collective). Such deficiencies impede market-based transfers and often facilitate the illicit transfer or control of public land by vested private interests. Public land institutions are generally weak technically, financially, and in terms of public accountability. Providing low-cost services and linkages to mortgage or long-term finance using land as collateral are further challenges.

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

LOOKING AHEAD

Generally, work in this area over the last 15 years has led to a realization that titling or land regularization per se is not enough to achieve sustainable benefits from land sector interventions. As a result, over the last six to seven years emphasis has been placed on policy and legal development and institutional capacity strengthening. The land sector will require an approach that considers long-term engagement with 10-20 year horizons for achieving fundamental objectives.

Work in the sector has also increasingly recognized and addressed governance challenges, including such activities as user surveys and global performance standards in parallel with further

analytical work. IDA is joining forces with partners to seek lower-cost technologies and services to ensure the coverage and sustainability of its work in the poorest areas.

Taking into account the above lessons, the outlook for the sector specifically in IDA countries focuses increasingly on Africa and South Asia, where analytical engagement over the last 10 years is now translating into a new generation of operations with enormous potential for contributing to poverty reduction.

A declaration by African Heads of State adopted in July 2009 calls for formulation and accelerated implementation of land policies by African countries, annual tracking of progress in doing so (linking to other review processes such as the African Peer Review Mechanism), and the establishment of a fund to support these activities. The World Bank is ready to work with countries on diagnosis, and will offer technical and financial support, to help countries establish systems of land administration that help protect the rights of the poor, increase investment, and help shift towards a more diversified economic structure.

In Latin America and the Caribbean region, land administration activities are expected to grow in areas of rural land access (Bolivia, Honduras, Paraguay), peri-urban land regularization activities for informal settlements, and attention to indigenous and environmentally-sensitive land areas (such as addressing enormous challenges in the Amazon Basin) and cross-cutting themes of land governance. The healthy portfolio in the East Asia and Pacific region is also expected to grow. While the privatization of land in Eastern Europe and Central Asia is now largely completed, consolidating the new, private land sectors will require continued operational and analytic engagement.

Nicaragua: Indigenous Peoples' Land Demarcation and Titlements

Challenge

Most of Nicaragua's indigenous and Afro-descendent peoples, with their considerable ethnic and cultural diversity, live in the Caribbean region of Nicaragua, known as the Atlantic Coast. Although the area is rich in natural resources, almost 80 percent of its population faces extreme poverty. The advance of the agricultural frontier, immigration, population resettlement after the armed conflict, and uncontrolled development have put pressure on natural resources and land occupation patterns. As a result, land conflicts and inter-ethnic rivalry have increased. For many years, the lack of an institutional and legal framework made it difficult for indigenous and afro-descendent communities to have their rights to land and natural resources formally recognized and their territories demarcated and titled.

Approach

Drawing upon World Bank studies which highlighted the connection between land tenure security and poverty reduction, the government moved to improve the legal, institutional and technical framework for the administration of property rights in Nicaragua, beginning with rural areas where most of the country's poor live.¹

Recognizing indigenous peoples' land rights in the Caribbean required an innovative and unique approach, taking into account traditional decision-making and consultation structures, collective tenure arrangements and communal use of natural resources, as well as the culture and worldview of indigenous peoples. Many community leaders have been involved in the demarcation process, which follows a participatory methodology emphasizing conflict resolution. The demarcation itself is a challenging task, requiring arduous work in often remote and isolated areas.

Results

The institutional and legal framework for recognizing indigenous peoples' land rights has been strengthened and land titling is proceeding apace.

Highlights:

- Among other laws and decrees, two critical laws were successfully passed by the National Assembly: the Communal Property Regime for Indigenous and Ethnic Communities on the Atlantic Coast and the Bocay, Coco and Indio Maíz Rivers (Law 445, December 2002); and the National Cadastre Law (Law 509, November 2004).
- The land titling process has thus far provided tenure security and/or use rights to those who are not indigenous or Afro-descendants and do not form part of the communal system but who live in these territories. Law 445 also contemplates conflict resolution processes among the communities in the region and among these and third parties.
- As of July 2009, 9 territories have been duly demarcated, titled and registered, covering an area of more than 10,000 km². A total of 53,000 inhabitants, mainly Miskito and Mayangna, living in 123 communities have benefited from land demarcation and titling.
- The titling of Awás Tigni (733.94 km²), one of the 9 territories titled so far, represents a historical achievement. In 2001, this community had won a case against the Nicaragua government in the Inter-American Court of Human Rights demanding recognition of its collective land rights. In December 2008, with the support of the Project, Awás Tigni was finally titled.
- Another 6 territories belonging to indigenous and Afro-descendant peoples are due to be demarcated, titled and registered by 2010.

IDA Contribution

- IDA committed US\$32.6 million equivalent to help finance the Land Administration Project (known as PRODEP). The rest of Project costs (estimated at US\$38.5 million) is being financed by the Nordic Development Fund (EUR5.5 million) and counterpart funding from the Government of Nicaragua.
- In the case of land regularization on the Pacific coast, where the legal framework is not yet as conducive to recognizing indigenous peoples' rights, Bank safeguard policies under the Project are helping promote progress by Nicaragua on sensitive issues such as acknowledging the existence of indigenous populations and finding feasible ways to recognize their land claims.

Partners

Co-financing by the Nordic Development Fund (EUR5.5 million)

Next Steps

- IDA is preparing to commit another US\$10 million in late 2009 to continue the work of PRODEP. Some of the new municipalities proposed for inclusion under the additional financing have indigenous populations seeking recognition of their land rights.
- A new operation (supported by a DFID trust fund managed by the World Bank) will soon finance a multi-sectoral investment plan in four of the poorest territories. The investments in energy, transport and access to secure water will be based on territorial development plans developed under PRODEP.



Women and the poor now receive legal protections regarding their ownership rights to real estate assets.

Kyrgyz Republic: Land Registration Spurs incentives and Growth

Challenge

As it emerged from Soviet rule following independence in 1991, the Kyrgyz Republic faced the challenge of creating a system of property rights. A big obstacle was the lack of enforceable ownership rights, which resulted in insecurity, a lack of collateralized credit, and high transaction costs. For households and businesses, it was difficult to buy, sell, or inherit real estate, or to use real estate as collateral for borrowing. Several agencies were active in this arena, but their work was uncoordinated and largely deficient. Information on real estate rights was hard to access and retrieve.

Approach

The IDA-financed Land and Real Estate Registration Project was launched in 2000 to establish an efficient cadastre system—which is a comprehensive register of a country's property that includes details of ownership, tenure, and location. This new property system was designed to provide the new legal framework for secure ownership, increased access to credit, decreased transaction costs, and more efficient buying and selling. The project set up registration offices throughout the country, provided assistance for legislative and regulatory reforms, and conducted training for diverse stakeholders—including government officials, civil society, and various organizations working in the real estate sector.

Results

Most private properties are now registered. More than 2.5 million real estate units are registered, including 661,000 units whose situation was regularized under the project.

Highlights:

- **Access to credit greatly increased.** Access to credit increased through a new system that uses real estate collateral. More than 48,000 mortgages valued at over US\$1.3 billion were registered in 2008.
- **Property sales grew.** Property sales grew to 48,100 units in 2007, although due to the economic downturn, there were only about 43,700 sales in 2008.
- **Transaction costs decreased.** Land-related transaction costs are estimated at less than 2 percent of property values for large estates and less than 1 percent for houses and apartments. This compares favorably with an average of 2.7-4.3 percent in OECD countries.
- **Local registry offices became sustainable.** Fifty registration offices were opened on schedule, with training provided to staff. Most were already able to cover operational costs through revenues generated from services rendered.
- **Customer service improved.** The project implemented a number of measures to reduce the opportunities for corruption, and to improve accountability and customer service.

IDA Contribution

The Land and Real Estate Registration Project cost US\$10.95 million, of which IDA financed US\$10.02 million. It was coordinated with local government, real estate professionals, real estate brokers, notaries, and lending institutions, all of which played an important role during implementation.

Partners

The World Bank Group coordinated with other donors before the project was designed. The US Agency for International Development (USAID) had conducted a small pilot project testing techniques for the collection of data necessary for property registration and had taken a lead role in drafting a Land

Registration Law. The Swedish International Development Cooperation Agency (SIDA) agreed to finance technical assistance components. Both USAID and SIDA were active on property-valuation methodologies and property tax. Under a Swiss program, aerial photographs were obtained for Bishkek and Osh, which enabled the project to produce digital maps for these cities.

Next Steps

A Second Land and Real Estate Registration Project became effective in late 2008 and is slated to run through 2012. It will continue to register additional types of real estate in the national registry system, including informal urban settlements, urban parks, government properties, and pasturelands. The cadastral mapping also needs to be gradually upgraded. Currently, the majority of local registry operations are able to finance their current expenditures. However, they continue to depend on the government for capital investment, information technology, and quality control. To strengthen the Kyrgyz Republic's overall system of property rights, the project aims to continue strengthening institutional capacity, particularly financial management of registry operations, records management, and strategy development.



More than 2.5 million real estate units are registered, including 661,000 units whose situation was regularized under the project.

Securing Property Rights in Armenia

Challenge

Land reform was one of the earliest reforms launched by Armenia and was a crucial step in moving from a collective Soviet system to a market-based private-sector driven economy. Databases of property information and a registration system were created in the early 1990s but as Armenia progressed in its transition, the country needed a more reliable and transparent system for registering property.

Approach

Building on existing databases and a pilot USAID project, IDA's Title Registration Project sought to:

- Establish a network of Information and Registration Centers throughout the country and institute surveying and cadastral mapping.
- Create a transparent, parcel-based, easily accessible registration system for immovable property.
- Provide a chronological record of property owners and their rights and obligations.

Results

Property rights are now secure, the property market efficiency has increased, and women and the poor now receive legal protections regarding their ownership rights to real estate assets.

Highlights

- Registered mortgages have grown rapidly: from 38 percent in 2002 to 48 percent in 2003.
- Tax equity has significantly improved—nearly all properties are now recorded and municipalities and rural communities can begin to levy property taxes.
- 47 fully-functioning Information and Registration Centers (IRC) throughout the country registering land parcels and buildings.
- Time to register a real estate transaction has dropped from 14 days to 1 day.

- Almost all 2.5 million privately-owned land parcels and buildings in Armenia surveyed.

IDA Contribution

- Total project cost: US\$10.6 million -- of which IDA provided US\$8.0 million.
- IDA drew on its experience in land privatization in other countries.
- Helped scale up a working model (developed by the government under a USAID-funded pilot)
- Project backed small-scale privatization and the establishment of secure property rights, also supported under IDA's first and second policy loans for Armenia.

Partners

- Sweden financed the upgrading of the geodetic network as well as technical assistance in title registration. USAID provided most of the early technical assistance in registration. Switzerland financed aerial photography, mapping, etc.
- IDA capitalized upon other donors' funding: its survey activities focused on urban areas, while the EC addressed rural areas.
- A Japan Population and Human Resources Development Grant helped prepare the project and build initial capacity within State Cadastre Administration.

Next Steps

User fees collected by the State Committee on the Real Property Cadastre cover the cost of the registration centers' operations and maintenance. The system's financial viability is expected to further improve as the volume of transactions continues to increase, while staff costs are expected to decline now that the initial systematic registration effort is completed.



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