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Principles into Practice: Property Rights and Land Policy

In Principle: MCC's Approach to Property Rights and Land Policy

MCC's principle of country ownership empowers its partner countries, upon becoming eligible for a compact, to prioritize investments that address their most binding constraints to economic growth and poverty reduction. Many country governments, in consultation with citizens, civil society and the private sector, have sought MCC investments in property rights and land policy (PRLP) because of the central role that land, natural resources and other real property assets can play in economic development.

For a poor rural family, access to a small farm plot can be vital to day-to-day survival, providing family members with food, household income and an opportunity for working their way out of poverty. Access to well-managed grazing areas can support livestock for entire rural communities. In urban or peri-urban areas, a small building or other real property asset can provide a poor family with shelter or a space for entrepreneurial activities essential to survival and growth. A well-functioning PRLP system not only can help the poor, but it also can help investors and companies obtain the land they need to start and expand businesses.

In Practice: MCC's Approach to Property Rights and Land Policy

MCC is investing in PRLP activities in 13 of its 25 compacts, totaling \$260 million across the rural-urban spectrum.

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PRINCIPLES *into* **PRACTICE**

MCC was founded with a focused mandate to reduce poverty through economic growth. MCC's model is based on a set of core principles essential for development to take place and for development assistance to be effective—good governance, country ownership, focus on results, and transparency.

The *MCC Principles into Practice* series offers a frank look at what it takes to make these principles operational. The experiences captured in this series will inform MCC's ongoing efforts to refine and strengthen its own model. In implementation of the U.S. Global Development Policy, which emphasizes many of the principles at the core of MCC's model, MCC hopes this series will allow others to benefit from and build on MCC's lessons.

The series also offers insights into MCC's experience with the technical and operational approaches it uses to support poverty reduction through economic growth. The full Principles into Practice series is available at www.mcc.gov/principlesintopractice.

Many PRLP investments have focused in rural areas, where they contribute to MCC's broader investments in agriculture, rural development and food security. MCC's PRLP investments fall into two general categories.

1. **Stand-alone, comprehensive projects** that address PRLP constraints to economic growth through formalization of land rights and complementary land administration activities such as legal, regulatory and institutional reform.
2. **Supporting activities** designed to complement or mitigate risk for other MCC investments, such as in infrastructure or agriculture.

MCC's approach toward PRLP activities has seven core elements.

- ★ **The importance of effective governance:** Effective governance is at the heart of land and property investments that will spur long-term economic growth.
- ★ **One size does not fit all:** MCC's interventions are tailored to each country's culture, laws, customs and traditions, as well as their unique economic growth constraints.
- ★ **Cause no harm:** Constructing roads, irrigation systems and other infrastructure projects can have unintended effects. PRLP activities can help mitigate risks.
- ★ **Securing land rights is not only about land titles:** MCC is supporting the strengthening of customary land rights in addition to titling.
- ★ **Inclusion:** Well-functioning real property rights systems should work for everyone, including women, the poor and minority groups.
- ★ **Learning and results:** MCC monitors all PRLP projects closely and is funding rigorous impact evaluations as part of almost every PRLP project.
- ★ **Country ownership:** Many MCC partner countries are addressing politically challenging policy and institutional reforms necessary to improve property rights.

Eleven Lessons: MCC's Experience with Property Rights and Land Policy

This brief offers lessons drawn from MCC's PRLP portfolio, focusing on project implementation, not impact. MCC's impact evaluations will soon begin to yield additional learning about the economic impact of PRLP projects and an understanding of how these projects elicit changes in the behaviors and outcomes of the beneficiaries. While many of these lessons will be familiar to those who work in the PRLP and other development fields, it is hoped that the discussion here will contribute to better project design and implementation.

Lesson 1

Focus on results up front—get the economics and the policy reforms right.

Having access to land, natural resources and real property assets is not itself sufficient to spur economic development. Countries need proper policy and institutional frameworks so these assets can lead to increased incomes through an improved investment climate, increased productivity from land or reduced costs imposed on households and firms as a result of weak PRLP systems. Therefore, proposed PRLP investments must be cost-effective and lead, through a clear program logic, to the outcomes MCC and its partner countries aim to achieve.

Lesson 2

Be bold in program design and proactive in managing risks.

MCC has supported ambitious PRLP projects because they can have “game-changing” effects on economic growth and poverty reduction in its partner countries. These interventions have been innovative and, in some cases, unprecedented in MCC’s partner countries. At the same time, being bold and ambitious has risks. All development projects face various forms of risk, and the political sensitivities around property rights and land policy make investments susceptible to resistance. These risks need to be managed proactively and creatively, and future PRLP proposals must be assessed according to the related policy and institutional environment, and institutional commitment and capacity, as well as the strength of their program logic and cost-effectiveness, as noted in Lesson 1. *See the full paper for examples from Burkina Faso and Cape Verde.*

Lesson 3

Protect against risks to poor and smallholder farmers.

MCC’s programs are intended to improve the environment for investments of all sizes and from a variety of sources—domestic and foreign, private and public—that will increase agricultural productivity and achieve food security. However, the rights of poor and smallholder farmers can be at risk in countries that are undertaking processes of formal recognition of traditional, informal land rights or are opening up new areas for farming as a result investment in infrastructure such as irrigation systems and roads.

Formalization of informal rights will eventually make them stronger, but the formalization process itself can create risks of insecurity because some informal rights fail to get recognized or because people use the formalization process to establish new rights or expand their existing rights at the expense of others. Similarly, poor and smallholder farmers can be disadvantaged in gaining access to farmland that is newly

developed as the result of investment in farming infrastructure. MCC and its partner countries use a variety of safeguards to minimize risks faced by poor and smallholder farmers. *See the full paper for an example from Mali.*

Lesson 4

Strengthen rights of women.

Women play a central role in improving household agricultural productivity, food security and nutrition. Economic development programs can significantly alter the allocation and control of resources within households, as well as provide opportunities for improving gender equality and poverty reduction. Thus, projects dealing with land and property rights, where women are historically disadvantaged, need to be structured such that the rights and interests of women are protected and enhanced. Together with its partner countries, MCC has supported legal reforms in three countries, but unless legal reforms are supplemented by efforts to improve or develop regulations, procedures and practices that explicitly address gender-specific rights and equality, they may not have a discernible impact on local practices. *See the full paper for examples from Ghana, Lesotho, Mali, Nicaragua and Senegal.*

Lesson 5

Knowledge is power—public outreach and consultation are essential for broad acceptance, participation and sustainability.

Many MCC PRLP projects take place in areas where people may be unaware of their rights under formal land and property laws or may be suspicious of government land programs. Failure to effectively communicate project objectives can undermine or cause the local population to oppose it. MCC PRLP projects focus on creating awareness among citizens of their land rights and opportunities to use their land and property as economic assets. This “knowledge is power” lesson goes both ways—program designers seeking information from experts, stakeholders and potential beneficiaries to inform program design, as well as program implementers sharing information during implementation to ensure impact and sustainability. *See the full paper for examples from Cape Verde, Ghana, Lesotho, Mongolia, Mozambique, and Namibia.*

Lesson 6

Be creative in resolving disputes.

Land disputes can arise from a number of causes, including unclear or overlapping individual or community boundaries, multiple grants of rights to different holders, conflicting jurisdictions of land administration institutions, inheritance issues, and lack of adequate land-use planning or violations of land-use rules. The existence of a dispute can prevent an individual landholder or a community from putting their land or other real property asset to productive use. Where courts are not meeting the need for resolution of land disputes, existing alternative methods must be supported or new methods must be developed. *See the full paper for examples from Burkina Faso, Ghana, Madagascar, and Senegal.*

Lesson 7

Build and strengthen institutions to serve people.

In many of MCC's PRLP countries, citizens do not have access to basic land administration services. There is nowhere to turn when they want to record or confirm their land rights, obtain authorization to use their land in a certain way or even pay land taxes, because land administration institutions do not exist or are too distant or costly to be accessible. Where land administration institutions exist, many face serious challenges of insufficient funding, equipment and staff capacity. Good laws and policies will not result in economic growth if land administration institutions are unwilling or unable to implement them. MCC's PRLP projects frequently support institutional improvements, but results are hard to achieve. An obvious key to success is the willingness of the counterpart agency to embrace the proposed changes in its institutional operations. *See the full paper for examples from Lesotho, Mongolia, and Namibia.*

Lesson 8

Time matters—the five-year compact duration helps achieve results but also creates challenges.

The legally mandated five-year limit on compacts creates a strong incentive for partner countries to complete all compact activities on time. The time limit has also reaffirmed what many who work in the PRLP field know too well: PRLP projects can be slow to start, and achieving targets often takes time. MCC and its partner countries have learned a number of lessons associated with making the most of MCC's five-year clock, including accounting for start-up delays when setting implementation targets, ensuring that legal and policy reforms are completed early, and mobilizing and coordinating with other donors. *See the full paper for examples from Benin, Burkina Faso, Madagascar and Mongolia.*

Lesson 9

Prepare to adjust and capitalize on opportunities.

Even during a five-year timeframe, there are bound to be shifts in technology, political leadership, public perceptions, and implementation partnerships as well as lessons learned that provide opportunities for improvement. Close monitoring of progress can lead to adjustments during implementation, and sometime delays or poor project performance can require changes in project scope and implementation. Making adjustments can be challenging, and requires careful balance with MCC's country ownership principles. But it can also create opportunities for innovation and greater progress toward results without sacrificing standards related to economic returns, environmental and social safeguards and gender equity. *See the full paper for examples from Benin, Lesotho, and Nicaragua.*

Lesson 10

Plan for sustainability.

Donor-financed development is sometimes criticized for supporting projects that do not survive past the donor's departure. PRLP projects face various sustainability challenges including. The goal of sustainability needs to be the point of departure for investment decision-making, and MCC has learned that it must continue to ask fundamental questions at all stages of project design and implementation. Such questions include: Is demand for this outcome sufficient that it will be sustained? If demand does not exist, why? Is weak demand or refusal to use a land system because of lack of awareness or incorrectly aligned incentives, or something else? Project activities need to be designed and managed with these questions in mind. *See the full paper for examples from Benin, Burkina Faso, Ghana, Madagascar, and Namibia.*

Lesson 11

Back to results—measuring impact at the end requires careful planning up front.

One of MCC's founding principles is focus on results. Under this principle, MCC is committed to assessing the expected economic returns of proposed projects before making investment decisions and to rigorously evaluating, documenting and learning from programs once they have been implemented. MCC uses impact evaluations to independently and transparently measure the impact of PRLP interventions on investment, income and household consumption, as well as provide a better understanding of how the interventions affect these outcomes. MCC has yet to see the results of any PRLP impact evaluations, but a number of lessons about how to manage evaluations have been learned in the PRLP context, including the importance of close collaboration between program and evaluation planning, and finding ways that impact evaluations can contribute to improved project design. *See the full paper for examples from Benin and Mali.*

To read the full *Principles into Practice: Land Policy and Practice* paper, visit www.mcc.gov/principlesintopractice.