The World Bank on security and stability: The listening bank?

Latest World Bank thinking on the link between property rights and poverty reduction risks undermining small local businesses in developing countries in favour of large multinationals. id21 Guest Editor *Geoffrey Payne* asks why the Bank is seemingly so insistent on ignoring the mounting evidence against titling programmes.

Each year, the World Bank produces an annual World Development Report (WDR) summarising key economic, social and environmental issues and providing a framework for development policy. Previous reports have considered the role of the state, transition economies, infrastructure, health, the environment, and poverty.

The draft report for 2005 focuses on improving the investment climate for growth and poverty reduction and has been posted on the Bank's website where comments are being invited as part of an international consultation exercise. This announces that the Bank's strategy for long-term growth and poverty reduction has two pillars: improving the investment climate; and empowering and investing in people. The 2005 World Development Report (WDR5) will focus on the first of these pillars and will build on the Bank's new Private Sector Development Strategy.

The Bank deserves praise for inviting feedback on draft reports before setting them in concrete. However, it is worrying that the report is only addressing the first of its two pillars. Will a structure in which only one of two pillars is included stand up? When does the Bank intend to 'empower and invest in people'? Indeed, separating the two concerns is deeply problematic: unless investment policies address the needs of local people, there is a risk that priority will be given to large corporations and international firms rather than small local enterprises.

The signs are also worrying on one key issue which raises the question of whether Bank staff have been open to research findings from outside sources or viewpoints in the recent past. For example, Chapter 4 of the draft report addresses issues of security. The authors note that peace is a prerequisite to promoting entrepreneurial activity, but that secure property rights are also vital to encouraging investment. Citing examples from countries as diverse as China and Niger, the report states that even modest improvements in security can encourage investment and increase economic growth rates.

So far, so good. However, rather than identify a range of ways in which secure property rights can encourage such investment, the authors tie their flag firmly to one option, land titles, which it then repeats endlessly to make sure that readers get the point. In the space of 14 paragraphs, the term titling, or variations on it, is mentioned no less than 43 times, including six times in just one paragraph! Land titles have been promoted by liberal economists such as Hernando de Soto on the assumption that they account for the affluence of the West and that if the poor had clear titles and rights enforceable in law over the land and property they live in they would be able to obtain credit and lever themselves out of poverty and into capitalist affluence. The evidence, even in Peru where de Soto's ideas have been most widely applied through government led titling programmes, is that increased access to credit for those granted titles is minimal. To date, the link between the provision of titles and poverty reduction remains unproven.

The ability to own real property may encourage international firms to invest in a country, but such investments may also increase property prices to levels which exclude local firms. This is a real fear in many poor countries which are seeking international investment but concerned about protecting their own citizens from inflationary pressures in land and property markets.

The Draft WDR 5 contradicts the Bank's own land policy report and a wealth of research findings during the last decade. These all make it clear that titling needs to be seen as one among a range of possible options on land tenure and property rights, especially rights in urban areas where investment is likely to be greatest. This is particularly the case where investment is intended to benefit the poor, not just the investor.

In fact, studies in India have shown that a diversity of tenure options is perhaps the single most important factor that facilitates access to productive land for poor groups. Multiple tenure forms, including leases, rental contracts and various informal arrangements underpin the small firm based economies that constitute the bulk of urban economies and employment. Similarly, in Vietnam, studies have shown that multiple forms of property rights, enforced by highly decentralised state institutions, are successfully operating and legal title is not the most valuable form of property right. As a number of writers have noted, the primary concern of the poor is access and security with basic rights, and titles are often not the most suitable way of helping them meet these needs. Neither do titles necessarily help poor entrepreneurs who need more support than large corporations; in fact, they may reduce local productivity in favour of big business. In ignoring this wealth of evidence, it is difficult to avoid the conclusion that the Bank is biased in favour of a single policy option.
This is all the more difficult to justify in that the authors acknowledge that "titling programmes are costly and require many trained professionals. Before initiating a programme, governments should consider whether its policy objectives can be realised through measures short of providing a full title". The report then states that "in Niger, where security of rights was the goal, a simple community-based registration scheme sufficed" and it notes that in Botswana use certificates have enabled small businesses to operate. Why emphasise titling so heavily when the literature provides numerous other examples of such incremental, communal, or temporary options which are effective in stimulating investment without over-burdening the administrative system and inflating local property prices with an influx of multinational owners?

A more balanced approach would be to replace the repeated use of the term titling with the term rights, since that is what investors need and the Bank claims to promote. For example, rights can apply to access, use, transfer, inheritance, etc., and operate independently of tenure status. In other words, it is possible to have completely secure tenure, but restricted rights, or relatively weak legal tenure but adequate rights enforced by local custom. Whilst titles and a bundle of rights may co-exist on the same parcel of land, the state may also impose severe restrictions on the rights of owners for a range of public interest reasons, such as stimulating local small businesses, providing social amenities, or ensuring the availability of affordable housing for the poor. The authors should avoid confusing the end (security and rights) with just one in a vast array of means (titles).

As in any large organisation, there are those in the World Bank with strong ideological convictions and those of a more pragmatic disposition. In seminars, Bank staff involved in property rights issues demonstrate an awareness and sensitivity to outside research which provides numerous examples of the findings listed from China, Niger and Botswana. Why in that case do the authors not reflect this awareness in the report? Is the Bank really listening? It will be interesting to see what the final version - to be published in September 2004 - says.

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