

Preface

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The United Nations Economic Commission for Europe's

Land for Development Programme was launched in 2001 to make rights over property more secure and accessible particularly for poor and disadvantaged people. The Programme had at its root the desire to meet the *Millennium Development Goals* of halving poverty by 2015. A variety of innovative methods and approaches are required if this important goal is to be realised.

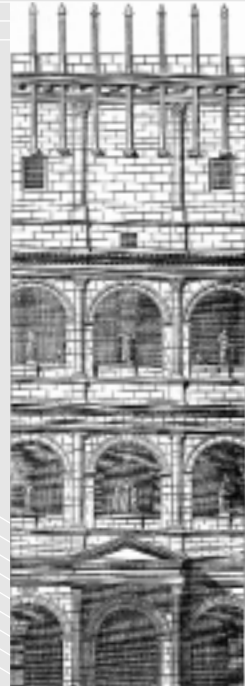
Enforceable property rights are critical features of successful market economies and were the basis of successful economic policies in advanced economies in the 1990s. However in many countries the benefits from privatisation and liberalisation and the resulting release into economies of new property assets did not realise benefits for all. The poor and socially disadvantaged overall did not benefit. The new agenda must focus on more effective ways for addressing this problem. One way is *"empowering the poor by giving them access to assets – land and property – and securing their rights so that they will be able to use these assets and work their way out of poverty"*. This means in some cases formalising the rights of poor to use property so that they can raise capital for their own needs. It means creating secure assets that can be of benefit to entrepreneurs. It also means creating more revenue generating assets for governments. This allows government to raise finance for development goals.

After a decade of economic policy advice that has tended to focus on the macroeconomic features of reform, there is an increasing interest in how the economic policy framework of the 1990s can be revisited and refined in order to understand how the wider benefits from privatisation and liberalisation



can be delivered to the poor. It is not enough to privatise; it is also necessary to create the institutions – *property with rights* – which can protect the poor in the use of their rights. There have been many studies on the rule of law, institutions and the role of property rights in economics but there has been a tendency – with the notable exception of the work done by Hernando De Soto and UNECE, through its Real Estate Advisory Group – to overlook the rights of the poor and their rights to property. Specifically, the poor and the disadvantaged in the population have suffered additional economic damage because they have not been able to enjoy the benefits of broader property ownership. Policy makers and the international community have tended to overlook this factor. So, although issues relating to poverty alleviation have gone straight to the heart of the global agenda because of the relative failure of mainstream approaches and policies of the 1990s to adequately deal with this challenge, there is, so far, still a failure to make the link between property rights and poverty alleviation.

New research moreover demonstrates that: “*Secure and well established property rights and the rule of law is a powerful tool to promote economic growth*”⁽¹⁾. The impact has been much more than mainstream post-war economic theory has supposed. Property rights are the *ultimate sources of economic growth; more important than traditional determinants (physical and human capital accumulation as well as population growth)*. With insecure property rights, incomes and well being within countries fall sharply. In the case of six Transition Economies where property rights were least secure, income (GDP) fell in the decade of transition by 40 per



⁽¹⁾ *Property Rights and their Impact on the Wealth of Nations – a Cross – Country Study*, Bernard Heitzer, Kiel University, 2003.



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cent or more⁽²⁾. By insecure property rights are meant poorly enforced contracts and property rights that are ill defined. Not surprisingly, the absence of explicitly defined property rights coupled with the absence of rigorous institutional arrangements, which enable the individual citizens' rights to be enforced, has meant that the availability of financing to individual citizens to purchase, or make use of an interest in land, has generally been patchy or non-existent, except on very severe terms.

Uncertain property rights increase the size of the informal economy. This does not lead to a beneficial *free-for-all* which give rise to economic development and prosperity as some have argued. Rather, such economies sink lower and fall further behind advanced market economies where property rights are strong and secure. Where the formal institutions and laws are weak, economic activity crosses into the informal sector – in many developing countries the share of workers in the informal sector is more than 60 per cent. Many poor people moreover exist outside the formal economies, and their assets are not being used to generate the value that can lift them out of poverty. A new report, *The Challenge of the Slums* by UN/HABITAT, the United Nations Agency responsible for “human settlements” argues that in 2001 just under a billion people were living in slums – about a third of the world’s city dwellers. In the last decade, urban populations in less developed regions increased by third. On present trends, says the UN report, 2 billion people could be living in slums by 2003. The Panel will address how to give property rights to informal owners so that they can lift themselves out of poverty.

Insecure property rights also harm the environment. Without

⁽²⁾ *A large number – 75 per cent – of firms in the Kyrgyz Republic, Moldova, the Russian Federation and Ukraine is not “confident that the legal system will uphold my contract and property rights in business disputes”, Hellman, Jones and Kaufman, 2000.*

commitments to law and property, well-managed exploitation of the natural environment is unlikely: fish populations are threatened, and trees cut down prematurely. Because people are not sure that they will be able to harvest tomorrow, they take what they can today - and the critical issues relating to sustaining the environment for future generations are ignored.

The UNECE land for development programme is working to achieve these goals. The first Land for Development Forum launched in Rome in 2002 placed these objectives on the agenda. The next in Rome in October 2003 has gone forward gathering together expertise from all over Europe from both public and private sectors, to identify the mechanisms and institutions under which this programme can be implemented in individual countries to alleviate poverty. Cooperation with other organisations is necessary to continue to make progress and the Forum includes the participation of many bodies including UN/HABITAT and FAO as well as NGOs and the private sector. Tecnoborsa through these annual Forums has allowed UNECE to develop this agenda and to achieve an impact already in individual countries.

The goals of the project are however still to be fully realized. As can be seen from the presentations at the Forum, a number of barriers require to be removed and increased cooperation between the public and private sector is needed in areas such as private funding in domestic banks and from abroad, securing property assets, building legal institutions for protection and dispute resolution that are accessible to poor people and those with newly acquired property rights. The Land for Development Forum provides an important vehicle to analyse the priorities, identify new policies and measure progress. •

