

Institutions, Markets, and Environmental and Livelihood Restoration

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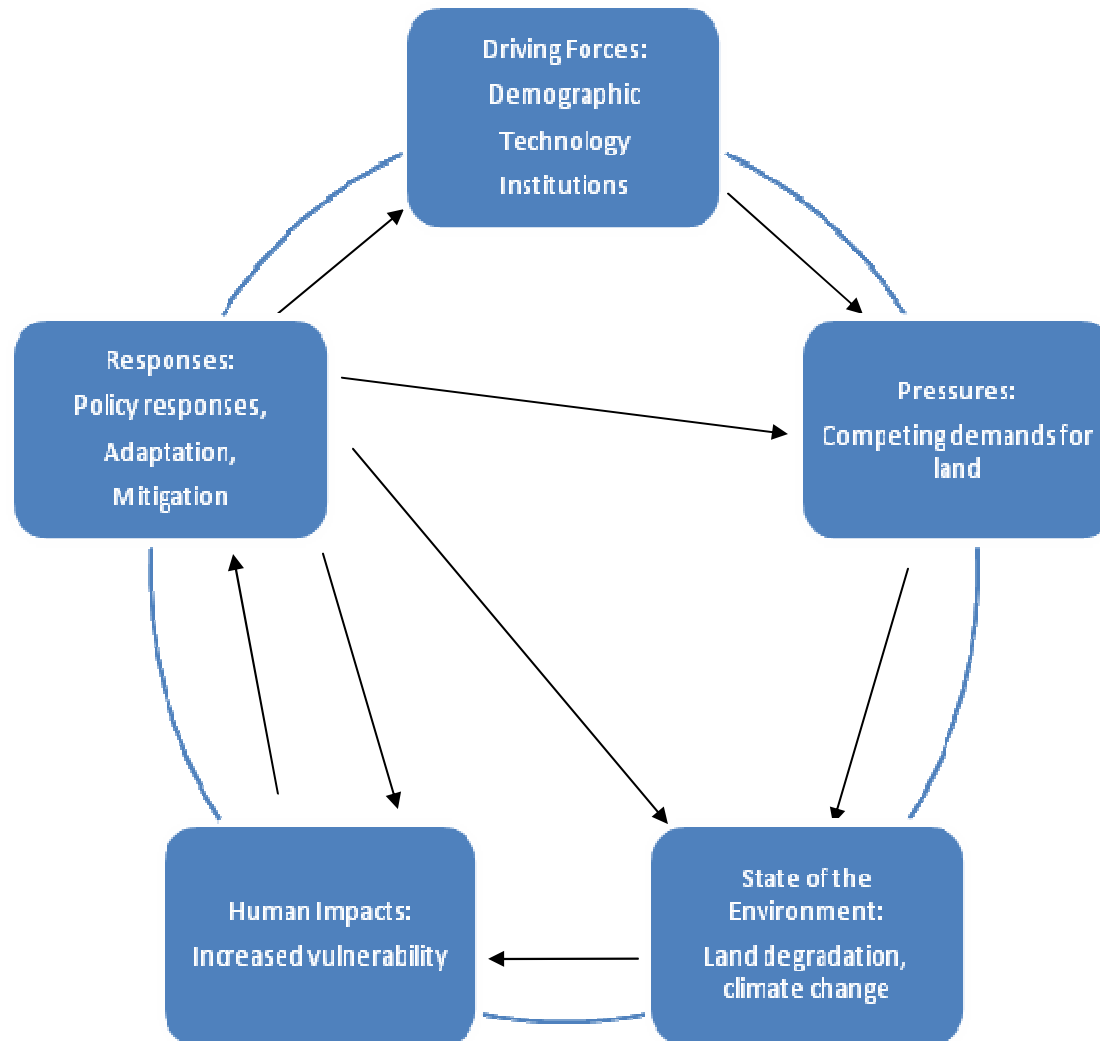
Outline

- Introduction
- Conceptual framework
- Driving forces
- A menu of promising policy instruments
- Main institutional failure:
 - Power traps → Poverty-environment traps & Resource curse
- Property rights and land reforms
- Case country: Ethiopia's land tenure reforms and environmental rehabilitation
- Comparative perspectives: Rest of Africa and China
- Conclusions

Introduction

- Why is environmental degradation so widespread while we have so many promising policy instruments that could be applied to rehabilitate environments and livelihoods?
- Why do even countries with resource abundance fail to protect people's livelihoods and ecosystems?
- Why have land reforms so often failed to achieve their targets?
- What are and should be the roles of institutions and markets to address these issues?

Broad conceptual framework



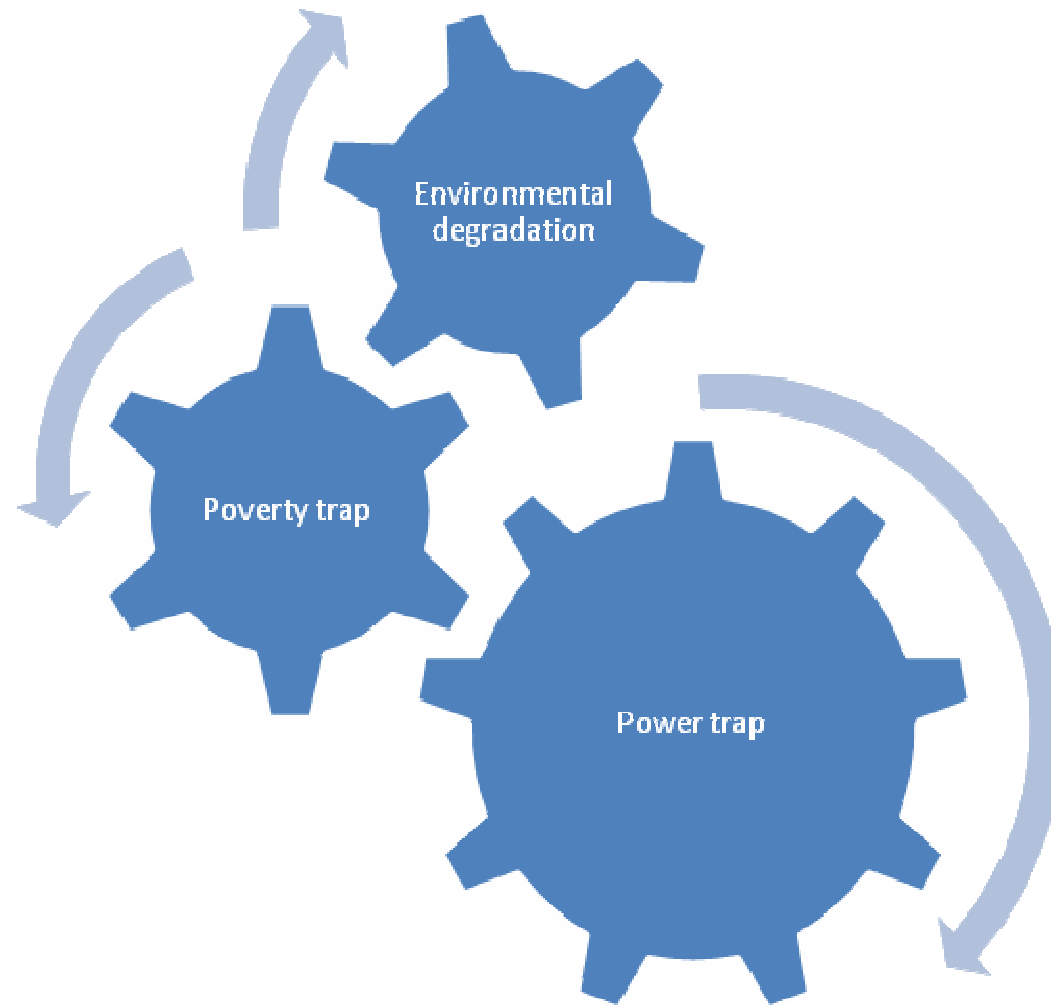
Why land users degrade their resource base

- *Missing information*
- *Appropriate technologies unavailable*
- *Tenure insecurity*
- *Collective action failures*
- *Population pressure*
- *Rapid population growth*
- *Market imperfections*
- *Poverty*
- *Policy distortions*
- *Transaction costs and asymmetric information*
- *Political and social instability*
- *Power traps*

A menu of policy instruments/tools

- *Research and extension*
- *Land tenure policies*
- *Decentralization of power and stimulation of local collective action*
- *Promotion of good governance*
- *Stimulation of collective action at local, national, regional and global levels*
- *Family planning and population control*
- *Poverty-reducing policies*
- *Improvement of the functioning of markets*
- *Inter-linkage of markets, technologies and conservation investment*
- *Payment for environmental services (PES)*
- *Pigouvian taxes and subsidies*
- *Progressive land value taxation*
- *Direct regulation*

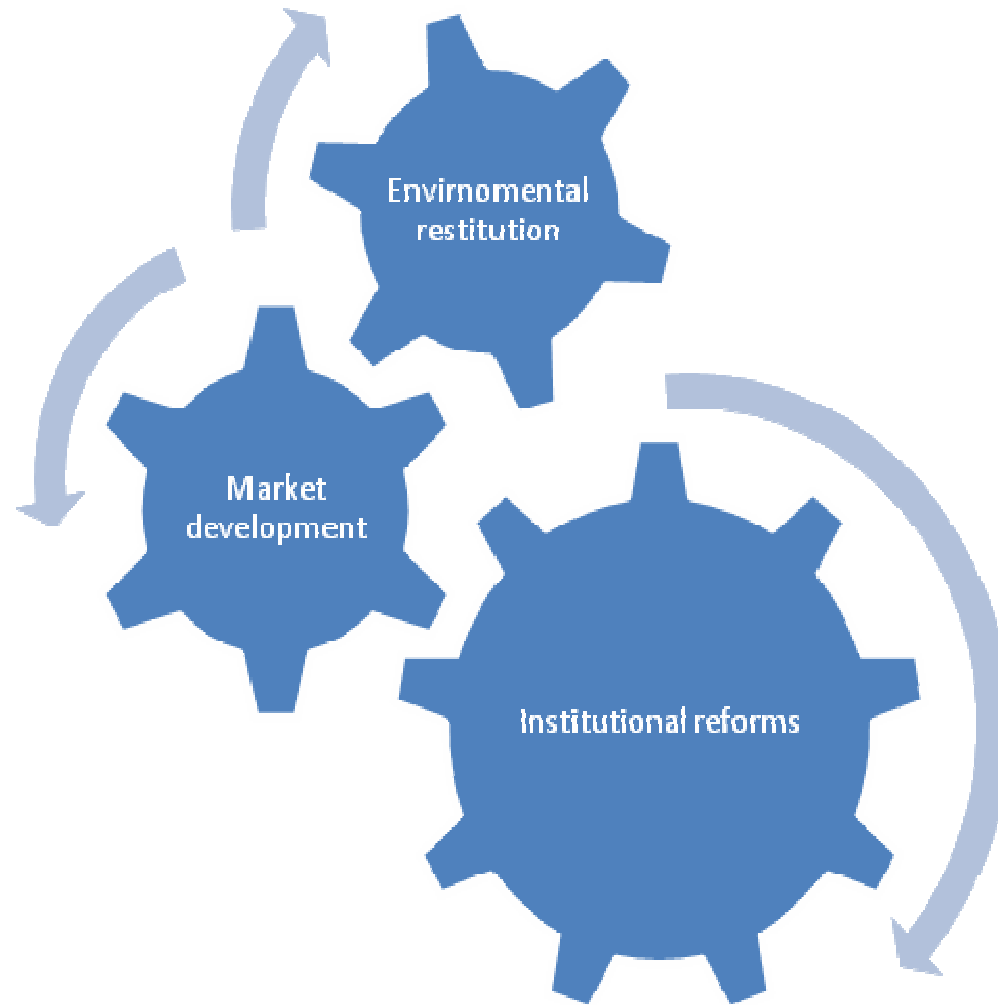
Power traps cause poverty traps and environmental degradation/resource curse



Characteristics of the power trap



Institutional reforms are the basis for market development and environmental restitution



Puzzles on property rights

- Strong property rights: Source of economic growth
 - Protection against expropriation (Acemoglu and Johnson, 2005)
 - Formalization to mobilize dead capital (de Soto, 2000)
- How do we reconcile this with the strong economic growth in China over the last 30 years?
- The financial crisis has also demonstrated that mortgaged loans may be the Achilles heel, that contributes to a deeper downturn, and a stronger need for interventions

Puzzles on land reforms

- Why have so many land titling programs in Africa failed?
- Why have many land redistribution programs failed?

On the other hand:

- Why has the Ethiopian low-cost land reform been more successful?
- Why does China go from collective to individual forest tenure while many other countries prefer communal forest tenure?

Ethiopian land reforms I

- Feudal system till 1974 (no colonial history) when the military regime (Derg) took power
- 1975 Radical land reform
 - All land made state land
 - Introduced an egalitarian land distribution (max. Farm size of 10ha)
 - Earlier landlords lost all power
 - Peasant associations established at community level to handle land distribution, taxation, quota production, etc.
 - Follow-up land redistributions to sustain the egalitarian land distribution → Created tenure insecurity
 - Prohibition of land sales and rentals.

Ethiopian land reforms II

- Civil war till the military regime lost power in 1991
- New more market friendly policy regime
 - Land remained state property
 - Allowed land renting but not land sales
 - Introduced new land laws at federal and regional levels
 - Introduced low-cost land registration and certification
 - Phased out land redistributions

The Ethiopian Highlands

- An Environmental Hotspot (World Development Report 2008)

Severe environmental degradation due to

- Rugged topography
- Erosive cropping
- Insecure property rights
- Severe Poverty
- Civil war
- Climate risks and famines/high food insecurity

Environmental rehabilitation and land tenure reform in Tigray region of Ethiopia

- A combination of instruments have been used:
 - Compulsory labour tax on all adult labour of 20 mandays per year for communal purposes (used for soil and water conservation, irrigation investments, tree planting, road construction, etc.)
 - Food-for-work for conservation and as a safety net with strong local organization (watershed approach)
 - Establishment of area enclosures of degraded lands
 - Low-cost land registration and certification

Impacts of low-cost land certification in Tigray region of Ethiopia

- Stimulated planting of trees/reduced cutting down of trees
- Better maintenance of soil conservation structures
- Enhanced land productivity
- Stimulated the land rental market
- Reduced land-related disputes
- Strengthened land rights of women in particular (Holden, Deininger and Ghebru, 2009a, b,c)

Why did the Ethiopian land reform succeed?

- The local landlord elite lost its power (The power trap was broken)
- Local institutions were established that could implement the low-cost approach with limited outside support
- A broad sweeping registration process with high local participation to demarcate and measure fields, identify owners, and register the land
- Enhanced the tenure security of all owners without discrimination of the poor

Why have not land titling reforms been successful in other parts of Africa?

- Land titling programs have benefited the rich rather than the poor
 - Too costly for the poor
 - The rich have utilized the reform to gain access to more land at the expense of the poor
 - Have not stimulated land markets or credit markets
 - Have not been considered to be an adequate substitute for customary tenure systems

Land reforms and natural resource management in China

- Similar land tenure system to that of Ethiopia
- The Household Responsibility System with more individualized use rights to land triggered economic growth from the late 1970s
- Communal forest land was also partly distributed to individual households from the early 1980s and with a new wave after 2000
 - To enhance forest land productivity
 - To reduce the local elite's (village leaders') rent extraction from forest lands and reduce rural poverty
 - Forest land certificates are provided to households for 30-70 years to enhance tenure security
 - Payment for Environmental Services were provided to convert sloping agricultural land to forest land ("Grain for Green")

Conclusion

- Power traps and not poverty traps are the main reason for environmental degradation, failures of many land reform programs and "resource curse" in countries with valuable resources:
- SHIFT FOCUS TO THE POLITICAL ECONOMY!!!
- Successful institutional reforms can only be achieved by breaking the power traps, but if that can be achieved we have a menu of potentially useful tools that can contribute to market development, economic growth and environmental rehabilitation
- Ethiopia and China had more successful land reforms because they broke the LOCAL power traps
- Power traps are still undermining institutional reforms in many African countries.