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MON/97/131

Strategic Support for Economic & Social Growth

**SUMMARY OF THE FINAL REPORT
ON LAND REFORM**

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**Ulaanbaatar
Mongolia
1997**

Summary

It is of great practical importance to understand land reform in the sense of not only ownership reform, but in the broader sense of land usage patterns which are based on the whole spectrum of property rights down to possession and various land usage rights, whether formal or informal. In this sense land reform inevitably includes changes in organisation of farming. In an agrarian society land ownership and farm organisation form the basis of the overall economic, social and political structure and determine a great, if not the most, part of it.

The concept of land ownership and the transfer or sale of land rights are basically foreign in Mongolia. This was due partly to the traditional mentality of Mongolians to freely use pasture resources and partly to the principle of communist economic system in Mongolia which rejected any private ownership of all means of production including natural resources. However, as Mongolia progresses towards a market economy, the inclination to buy and sell real state for personal or business purposes becomes increasingly apparent.

In Mongolia, one would reasonably expect that land reform will make significant nation-wide changes into economic, political and social life. Consequently, state and government need to pay a special attention to land reform and implement it as a comprehensive National Program.

The major aim of Land reform in Mongolia is seen as the development of land • nations which are compatible with the requirements of a market economy and capable of ensuring sustainable production and effective resolution of social problems.

It has been highlighted that land reform will achieve its objectives only when implemented as an integral part of overall transitional programme especially those to agricultural support policies.

land reform will be realised through legal reform. At present land relations are regulated by Constitution, Land Law, Civil Code, Law of the Registration of immovable Property, Land Payment Law and other legal documents. Although some provisions of these legislations need to be updated in order to meet the requirements of progressing transitional economy, the implementation of land reform as much within the framework of the existing legislations as possible has a great advantage to gain time. It is strongly recommended that the Laws for Land Privatisation, Cadastral Surveys and Land Registration be urgently approved by the Parliament.

It is world-wide acknowledged that in terms of cost-efficiency and lucidity single cadastre has an advantage over double cadastre in which information on boundaries of land ownership, land taxation and other financial aspects are recorded in one cadastre and legal registration of land ownership is carried out by lawyers in separate cadastre. The existing situation in Mongolia is inclined towards double cadastre is seen as highly undesirable considering the shortage of both financial resources and professionals.

Concerning the establishment of an appropriate land management structure European Economic Commission of UN in "Basic Principles of the Management of Land Resources with a Special Attention to Transitional Economies" (1996) recommended that the responsibility for land use policy be placed on a single organisation preferably as close to prime-minister's office as possible. This suggestion based on the need to integrate national resources for the efficient implementation of land reform, which include many important issues not mentioned here such as urban land reform, land taxation and markets, land evaluation, land use planning, monitoring and others, is seen as entirely relevant to the current situation in Mongolia.

Also, worthy of careful attention are internationally acknowledged factors which have contributed to the poor performance of land reform projects such as lack of political commitment; conflicting

bureaucratic priorities and institutional infighting, lack of institution capacity or unwillingness to commit adequate resources; and underestimation of complexity, costs, and other design weaknesses.

It is believed that the use of pasture land in Mongolia is not free from so-called 'Common Property Problem' which typically lead to the following problems.

- under-provision of long-term use and benefits relative to the social optimum
- excessive costs relative to the social optimum
- under-investment in conservation and management of the resources

To solve this problem the registration of informal grazing rights is suggested which is based on to the following arguments:

- "Efficiency" and "Sustainability" arguments. land-titling will make the protection and the efficient use of pasture resources a matter of self-interest of herders. It will also provide more incentives to invest for the improvement of pasture resources, thus promoting the adoption of more advanced methods of production aimed at intensifying production rather than increasing livestock numbers.
- "Poverty" argument. The survey conducted during the field trip in September show that poor quality pastures in near sum center areas are tended to be occupied by poorer herders. As pressures on pasture increase the process of pushing of poorer herders to less productive pastures is getting commonplace. Therefore, the protection of poor herders, who are heavily dependent on livestock herding, by legalising their possessions of pasture resources is getting crucially important.
- "Scarcity" argument. As a result of privatisation, the livestock numbers increased significantly for the past seven years and continue to increase further. In the light of the existing behaviour of Mongolian herders which is to maximise livestock numbers land scarcity is exposed with striking vividness. There is assessment by national specialists that the average carrying capacity of Mongolian pastures is around 60 m sheep-units per year and available livestock numbers in 1995 reached 62.9 m.

It is strongly recommended that the small-scale project be first implemented to test the feasibility of the whole idea of introducing grazing land registration. It is also recommended that the project be started in the northern forest-steppe region, preferably in close to the city Ulaanbaatar areas where customary institutions on pasture use well developed and there is an increasing pressure on pasture .and stimulating local people towards seeking ways out of worsening situation. It is suggested that a special attention be paid to the degree to which customary institu:ons of Mongolian herders such as neg goliinhon and neg mitgiinhan can succeed in using collective action to restrict the overuse of the pasture resources.

It has been emphasised that the introduction of the registration of rights in pasture land and tradable grazing rights is a complex institutional reform which requires a careful approach to designing the whole idea and a broad review of useful internav.onal experiences in this area.

It is recommended that crop land be fully privatised taking into consideration the following arguments.

- as indicated by the field trip the majority of farmers are willing to own the lane :hey are cultivating now under a lease agreement. The desire of farmers to own land is related to security of tenure and private ownership will undoubtedly provide incentives to invest in land and use it in a more efficient and sustainable manner

- privately owned land can be used as a collateral for obtaining bank loan which is crucially important for crop-farmers to begin production every year

- by providing more secure tenure it provides more protection to poor farmers

It has been remarked that those who are against the introduction of private ownership of land in Mongolia still have noticeable political weight. The main argument used by them is the idea that the introduction of private land ownership will harm the national security of Mongolia. However, the alternative idea that when owned by its citizens the national security of Mongolia will be strengthened rather than weakened is supported by many, including the author.

It is recommended that the suggested by the draft laws size of freely allocated land to the citizens in rural areas be reviewed because (i) in contrast to the majority of urban dwellers rural people, especially former employees of state farms tend to depend on crop production as a major livelihood (ii) for obvious reasons, the economic value of land in rural areas is much less than that in urban areas.

As concerns suggestions by some people to calculate freely allocated land for homestead and kitchen-garden purposes on per-capita basis instead of per-household basis these suggestions based mainly on the interests of current generations seem to pay not enough attention to long-term benefits of owning land where interests of future generations need to be considered. Accordingly, solution to this problem will certainly involve ethical judgements which are unlikely to lead to uniform solutions. Therefore, a more practical approach based on the analysis of the international experiences preferably in transitional economies seems to be more appropriate here.

As the most appropriate way to sell land for cropping purposes the long-term loan designed to be repaid through withholding a specified percentage of yearly crops on the allocated land is recommended. This method demanded by the need to consider highly risky nature of crop production in Mongolia and the need to support beginning farmers is believed to best meet interests of both state as a seller of land and an individual or a group of individuals as a purchaser.

The main content of this report was published in the Government newspaper "Ardiin Erh", No 234, 11 October, 1997. The emphasis of this extensive article was on the need for the acceleration of land reform in Mongolia and suggestions on ways to implement it in pasture and crop land areas.