Property Rights & Economic Growth

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OVERVIEW

• How is strengthening property rights expected to lead to rising incomes and economic growth?

• What does the existing evidence say about the links between property rights and economic growth?
EXERCISE

• Consider a “generic” land tenure intervention:
  • Villagers are sensitized
  • Land parcels are mapped by surveyors
  • Public consultation to confirm ownership
  • Legal titles issued to villagers for each parcel
  • Land information system created
EXERCISE

• What are the mechanisms by which this intervention could lead to economic growth?

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Economic Growth
EXERCISE

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1. Outcomes related to reduced risk of land conflict and expropriation
   2. Outcomes related to transactions

Economic Growth
OUTCOMES: REDUCED RISK OF LAND CONFLICT / EXPROPRIATION

• Lower risk to investments that pay off over time
  – Soil conservation / fallowing
  – High value crops, esp. tree crops
  – Fixed investments in land (wells, small-scale irrigation)

• Resources used to defend land claims can be redirected to productive use
  – Labor
  – Less productive trees

• Reduced direct costs of conflict
OUTCOMES: TRANSACTIONS

• More efficient land distribution
  – Producers can adjust to optimum scale / use
  – Reduced risk of conflict => increased willingness to rent out

• Land titles can be used as collateral to obtain loans
  – Idea popularized by de Soto’s *Mystery of Capital*
  – But often problematic in practice:
    • Ownership must be freely transferable
    • Financial institutions not always there to fill gap

• Ability to recoup costs of investments through land sales
ADDITIONAL POINTS

• Timeframe for economic benefits can be long (3-5 years)
• Benefits not directly related to economic growth may also be important- examples:
  – Gender equity
  – Safeguarding rights of smallholders in cases of large scale ag. investment
  – Small changes contributing to a broader property rights reform process
• There are many other types of land tenure interventions- examples:
  – Facilitating joint titling
  – Supporting institutions, land information systems
WHAT DOES THE EVIDENCE SAY?

• Land tenure is an under-researched area, especially impacts of interventions
  – Lawry et al. (2014)* find only 20 existing rigorous quantitative studies on link between land tenure interventions and agricultural productivity worldwide

• Some evidence of long term impacts of property rights
  – Forced labor system in Peru in 1573-1812 led to land tenure differences resulting in economic impacts that persist to the present day (Dell 2009)
  – Acemoglu, Johnson, and Robinson (2001) show that differences in colonial institutions (including property rights systems) are important determinants of subsequent economic development

• Earlier research shows large scale titling programs of the 70s / 80s had little economic impact, esp. in sub-Saharan Africa

EVIDENCE ON INVESTMENT & ACCESS TO CREDIT

• Impact on investment can be very substantial
  – In Ethiopia, Holden et. al. (2009) found that receiving land certificates caused farmers to be 40% more productive
  – Deininger and Castagnini (2006) estimate that eliminating ongoing land disputes in Uganda would increase agricultural productivity by 5-11%
  – Linkow (2016) finds that farmers in Burkina Faso who are concerned about certain types of land conflicts are over 40% less productive, eliminating insecurity would boost overall ag. productivity by 8.9%

• Impact on access to credit is weak
  – Most studies find no relationship
  – Findings from Central America show credit access improves only for wealthier farmers
EVIDENCE ON TRANSACTIONS

• Limited evidence on impact on transactions and related outcomes
  – In Uganda, land markets lead to improved economic outcomes and reduced inequality of land ownership (Baland et. al. 2007)
  – Concerns about exploitation, “distress sales,” distributional impacts
CONCLUSIONS

• There is widespread agreement that:
  – Secure property rights are an essential pre-condition for economic growth and development
  – Many in the developing world face insecurity of property rights, which has significant economic and social implications

• What kinds of interventions are effective at securing property rights and have the largest economic impacts is less well understood

• More research is needed, especially impact evaluations of land tenure interventions
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