



# Property Rights & Economic Growth

Dr. Benjamin Linkow  
Senior Research and Evaluation Advisor, Landesa  
January 23, 2018

# 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?

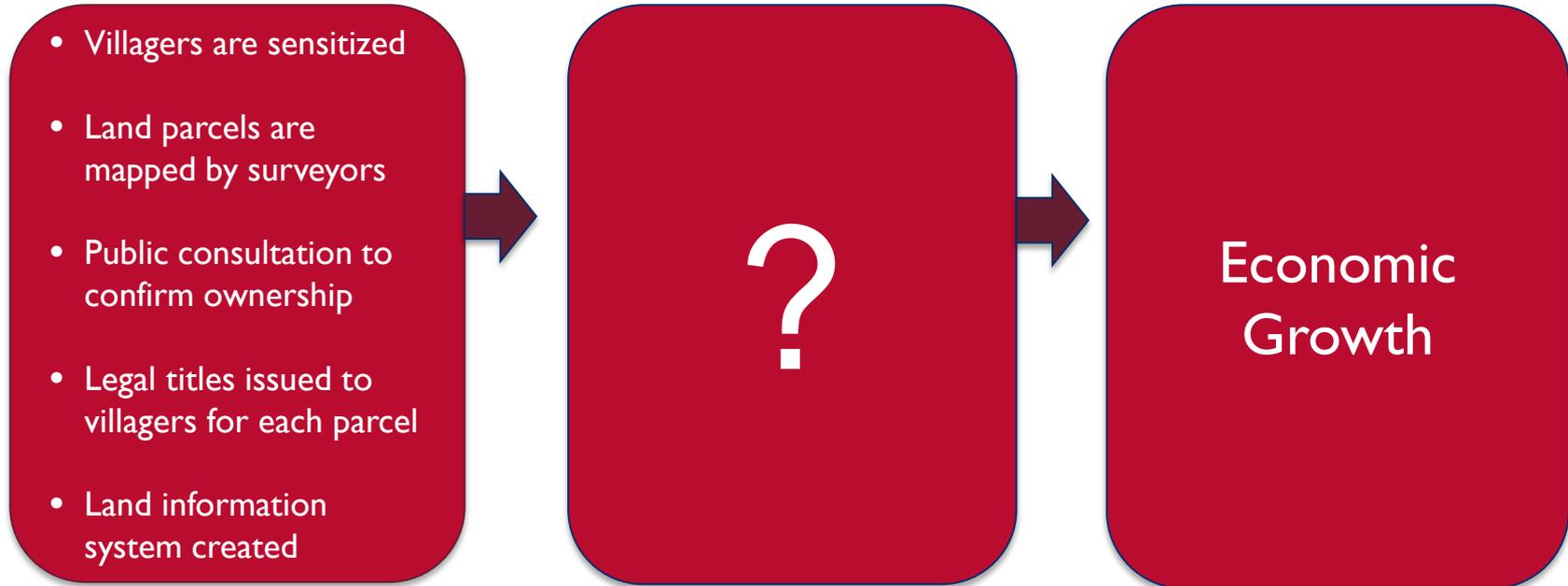
# EXERCISE

- 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

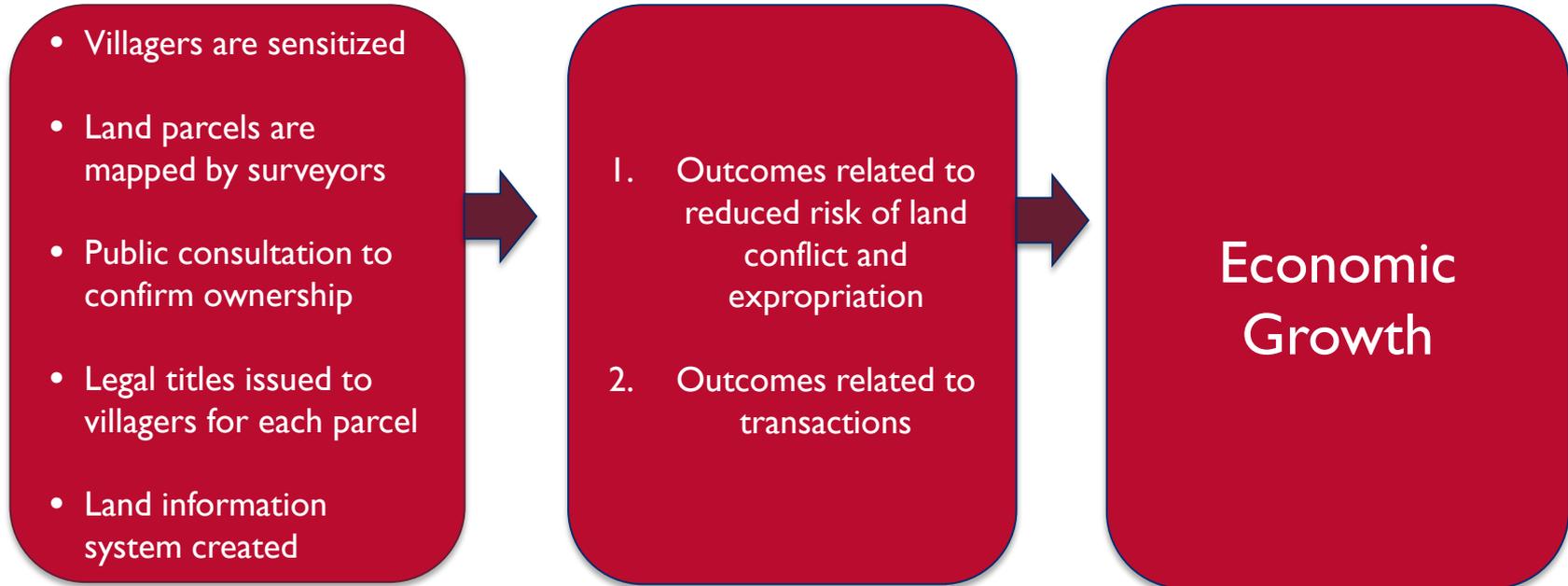
# EXERCISE

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



# EXERCISE

- What are the mechanisms by which this intervention could lead to 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

*\*Lawry, S., Samii, C., Hall, R., Leopold, A., Hornby, D., Mtero, F. (2014) "The impact of land property rights interventions on investment and agricultural productivity in developing countries: a systematic review." Campbell Systematic Reviews 2014:1*

# 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



E3/Land and Urban Office  
[www.LandLinks.org](http://www.LandLinks.org)  
[landmatters@usaid.gov](mailto:landmatters@usaid.gov)  
#landmatters #landrights



**USAID**  
FROM THE AMERICAN PEOPLE