USAID
FROM THE AMERICAN PEOPLE

Tenure and Economic Growth

Jolyne Sanjak, PhD

Deputy Vice President, Sector Operations Division

Millennium Challenge Corporation (MCC)

20 February 2014

LTPR and Economic Growth

Secure land tenure and property rights contribute to economic growth in three key ways:

1. By strengthening the enabling environments for growth by securing the rights of people to land and other resources
2. By creating positive incentives for individuals and communities to invest in and protect land and natural resources
3. By reducing conflict in families, communities and nations and also the costs associated with these conflicts

WHAT'S THE EVIDENCE?

USAID
FROM THE AMERICAN PEOPLE

Inforgraphic from Landesa (www.landesa.org)

Project Impact Parameters	Country	Parameter	Unit/Basis
Increase in investment due to …			
Higher likelihood of realizing returns (improved tenure security, including both lower risk of expropriation and conflict)	Argentina	12-47%	Increased probability of investment in household improvements
	Peru	68%	Increased investment in household improvements
	Ecuador	19%	Increased probability that eviction is considered impossible
Greater access to and lower costs of finance (improved “collateralizability” of land)	Indonesia	21%	Increased probability of getting a loan
	Argentina	0	Increased probability of getting a loan

USAID
FROM THE AMERICAN PEOPLE

ECONOMIC ANALYSIS FOR PROGRAM DESIGN AND RESULTS ACCOUNTABILITY

LTPR in Constraints Analysis

LTPR is a cross cutting issue, which can be the root of, as well as affected by, a broad range of constraints to growth:

1) ***Low Appropriability:*** weak land tenure hinders investment and leads to low land productivity.
2) ***High Cost of Capital:*** poor quality land data, systems and policies can effectively raise the cost of capital.
3) ***Limited Natural Capital:*** ineffective land administration and governance can cause deterioration or underutilization of land resources (ag, energy, infra), as well as loss of livelihoods, land grabs and conflicts.
4) ***Market Failures:*** poor quality land information and governance hampers investment decisions and public sector management of land, as well as lead to informal systems. This hinders government's ability to address market failures.

Guidance provides indicators that can be used to determine whether LTPR-related problems may be a constraint on growth.

USAID
FROM THE AMERICAN PEOPLE

Impact

HIGHER REAL INCOMES

Longer-term Outcomes

Increased Land Productivity

- Increase in Productive Investments by Households and Firms
- Increase in Productivity from Existing Uses

Cost Savings

- Direct Value of Lower Transaction Costs
- Direct Value of Lower Costs of Conflict
- Direct Value of Avoided Environmental Damage
- Direct Value of Lower Cost of Basic Infrastructure and Related Services

Short-term Outcomes

- Increased Ability and Security to Realize Full Returns From Investments
- Increased Access to and Lower Cost of Finance
- Increased Ability to Monetize Land Value
- Improved Knowledge to Productively Allocate and Invest in Land

Inputs (PRLP Activities)

- Clarification and Formalization of Property and Improved Access to Land
- Public Outreach
- Strengthening of Land Administration Agencies
- Legal, Regulatory and Policy Reform to Strengthen Property Rights and Enable Land Markets
- Improved Land Use Planning and Natural Resources Management

USAID
FROM THE AMERICAN PEOPLE

Cape Verde – LTPR reforms to spur tourism economy

- Land rights are unclear
- Citizens, businesses and investors spend significant time and money to clarify parcel boundaries and register land rights
- Inefficient land-related processes result in delayed or cancelled investments
- These major constraints to investment deter the economy.

A government and citizen initiative* has improved practices - *already in motion!* see "success story handout"

*** Supported by MCC's $17.3 million investment in policy reform and institutional capacity building**