Land Tenure, Fixed Investment, and Farm Productivity: Evidence from Zambia’s Southern Province

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Summary. — Using original data from an area of Zambia with contrasting tenure regimes (state and customary), the hypotheses are tested whether farmers with leases or titles have superior fixed investment and productivity to those without documentation. Results indicate that documentation is indeed associated with greater fixed investment independently of an array of control variables. Productivity also improves with documentation, via cotton planting, cattle ownership, and fixed investment inter alia. Undocumented farms on state land performed similarly to those on customary land. These results provide somewhat stronger support than previous studies for the association of tenure security with farm performance in sub-Saharan Africa.

Key words — land tenure, productivity, investment, sub-Saharan Africa, titles, Zambia

1. INTRODUCTION

Land issues are as prominent as ever in sub-Saharan Africa (SSA), with re-distributional travails in some countries alongside post-socialist tenure reforms in others. But land tenure reform, specifically the replacement of customary with statutory tenure, is no longer seen as a magic bullet for rural development and increased agricultural productivity. Major empirical studies in the 1990s failed to confirm an economic model that predicts increased productivity from increased security via greater demand for fixed investments, greater credit supply and demand, and transfer of land to more efficient users. They have mainly found that even where tenure security associates with increased fixed investments, the latter do not generally cause increased productivity in turn. These findings consternate those who espouse property-rights models of economic growth through privatization, as well as agnostics who had hoped that tenure reform could be a badly-needed offensive weapon against ongoing rural poverty in SSA. More recent studies however have disaggregated “tenure” to illuminate how its discrete components affect incentives and opportunities in the actual context of SSA farming methods, institutions, and preferences. These suggest ways to identify, detect and measure the effects of tenure security and insecurity, and to link these to productivity and other outcomes relevant to poverty reduction. This paper contributes to the debate with findings from Zambia on farming performance under contrasting tenure regimes.

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2. BACKGROUND

(a) The land tenure debate

The taut economic logic that predicted productivity gains from increased tenure security for farmers had empirical support in studies outside SSA (e.g., Thailand, in Feder, Onchan, Chalamwong, & Hongladarom, 1988). But the failure of land tenure reform in SSA to dynamize smallholder agriculture became evident in the early 1990s with a series of empirical studies (including Migot-Adholla, Hazell, Blarel, & Place, 1991 and Place & Hazell, 1993, as well as others collected in Bruce & Migot-Adholla, 1994) that demonstrated that the economic effects were not being activated. The effects of tenure security on fixed investment were found to be mixed, for example with no significant effects in Somalia (Roth, Unruh, & Barrows, 1994b) and Senegal (Golan, 1994), but positive effects in Uganda (Roth, Cochrane, & Kisamba-Mugerwa, 1994a) and Rwanda (Blarel, 1994) on certain types of investment. Even in those latter cases, however, the investment mostly did not associate in turn with greater productivity. In Kenya, titled farms had higher net returns per hectare, but “...when the effects of size and market access are separated out, it becomes clear that it is these factors, rather than title, that are responsible for the correlation” (Bruce, Migot-Adholla, & Atherton, 1994, pp. 258–259). In Zambia, some agricultural development indicators (credit, oxen use, land improvements, and tree planting, mostly measured in binary terms) were found to be negatively related to matrilineal acquisition, little related to perceived land alienation rights, and positively related to perceived self-ownership; other important determinants included wealth and (as in Kenya) farm size (Place, Chinene, Hansungule, & Maimbo, 1995). Away from though probably relevant to SSA, Carter & Olinto (2003) show in data from Paraguay that although tenure security increases investment, smaller farms substitute fixed for movable investment as security increases, with no net gain; only on mid-sized and large farms does tenure security cause greater net investment. The small farms also enjoy no credit supply effect of tenure security (which stands to reason, considering that a lender would have little interest in repossessing a tiny rural parcel).

Why such a poor showing for the economic effects of tenure? Concurrent theoretical and deductive work (Berry, 1993;Binswanger, De-
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