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Newman, Carol; Tarp, Finn; Van den Broeck, Katleen and
Quang, Chu Tien

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Land Use Rights and Productivity: Insights from a 2006 Rural Household Survey

Katleen Van den Broeck*, Carol Newman**, Finn Tarp***

Chu Tien Quang**** and Luu Duc Khai*****

Abstract

The aim of this article is to provide an overview of the distribution of land use (property) rights in 12 provinces in Vietnam and their productivity effect on plot level and whole farm rice growing. We show that land titles are indeed important. Only exclusively held titles have the expected positive effects, and the positive effect on yields is found in male headed households. Furthermore, our study shows that exclusive user rights are inefficiency decreasing, while jointly held user rights have no efficiency effects. Finally, once the gender of the head of household is controlled for, exclusively held female titles have a greater positive effect on the efficiency of the household than that of male held titles. We conclude by discussing policy recommendations.

Key words: Vietnam, land use certificates, rice, productivity

JEL classification: D23, Q12, O53

1. Introduction

All land in Vietnam is owned in common by the people of Vietnam and managed by the state. The laws that govern the distribution of land have been reformed several times since de-collectivisation in 1988. Under the first Land Law, land was allocated to households for a period of up to 30 years depending on household size. Only under the 1993 Land Law were households allowed to engage in land transactions. In this law, households were granted the rights to transfer, exchange, inherit lease and mortgage land. Together with these rights, Land Use Certificates (commonly called Red Books) were issued by the state as a legal proof of household claims to the use of land. Land Use Certificates (LUCs) were granted for up to 50 years and after expiry the term is renewable. The most recent Land Law of 2003 ensures an improved land registration system and clearer (and faster) administrative procedures. Moreover, land use certificates must bear the names of two persons if the land belongs to both.

The effects of formal land property rights have been analysed in theory as well as empirically but often with contradictory conclusions.

Theory: positive effects expected from secure property rights.

- i. Allocation effects: land is used in a more efficient way. The allocation effects include (i) changing crop choices, where the tendency to grow longer cycle crops is correlated with more secure property rights, and (ii) the transfer of land from less to more dynamic farmers, resulting in more consolidated land holdings.
- ii. Land investment effects. Increased tenure security is expected to provide farmers with incentives to invest in land improvements that may only have productive benefits in the long run. Farmer willingness and ability to invest in land may be enhanced through increased access to credit when land becomes available as collateral.

Empirics: positive effects limited or inexistent.

Even though the individualisation of land property rights is generally advocated as good policy for growth and poverty reduction, the empirical literature suggests that the effects of land property rights on investment, credit, crop choice or yields are not *a priori* clear and require case specific evaluation.

2. Distribution of land rights in 12 provinces

The data in what follows are taken from the Vietnam Access to Resources Household Survey (VARHS) implemented between August and September 2006 in 12 provinces in different regions of Vietnam.¹ The households are spread over 466 communes and 161 districts. The provinces were selected in part to provide a basis for monitoring the progress of farmers in provinces covered by Danida support programmes.² The households surveyed are a sub-sample of rural households interviewed by the General Statistics Office in 2002 or 2004 for the Vietnam Household Living Standards Survey (VHLSS). Our results apply to the actual surveyed sample. In total 2,324 households were interviewed between July and September 2006. The households are spread over 466 communes and 161 districts.

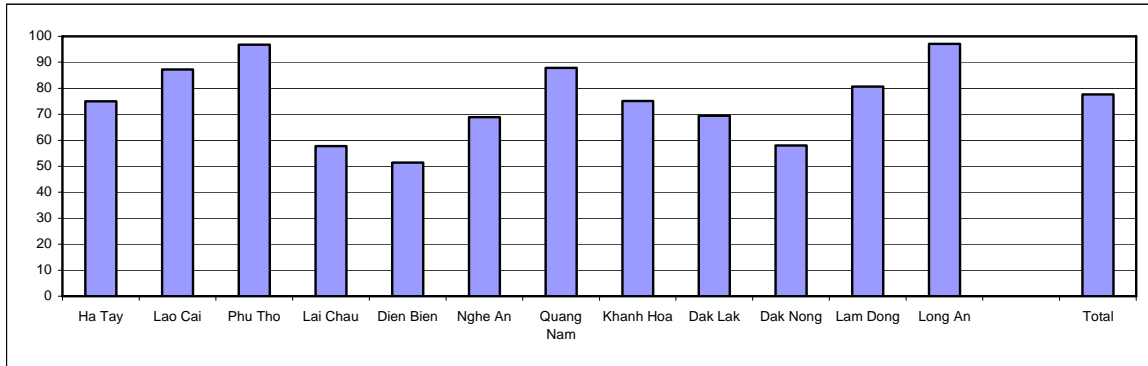
a) Regional differences

Although the Land Law has been in place for more than 10 years, LUCs have not been issued for all plots and strong regional differences continue to exist. (Figure 1)

¹ The survey was developed by the Department of Economics at the University of Copenhagen in collaboration with the Institute for Labour Studies and Social Affairs (ILSSA), the Central Institute of Economic Management (CIEM) and the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD), Hanoi, Vietnam. See http://www.ciem.org.vn/home/en/upload/info/attach/1194421575609_Characteristics_of_the_Vietnamese_Rural_Economy.pdf. Support from the Danish Embassy in Vietnam and Danida is greatly appreciated.

² Five provinces are covered under the Agriculture and Rural Development (ARD) Sector Programme Support (SPS) and seven under the Business Sector Programme Support (BSPS).

Figure 1: Percentage plots with LUC, by province



Source: Calculated from VARHS06 data (only observations with available weights included, 1,461 households)

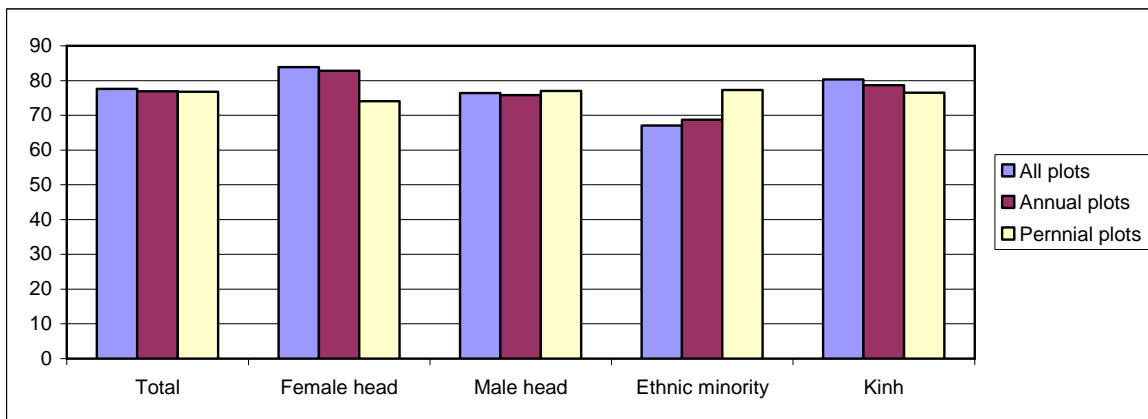
b) Gender differences

Female headed households do not appear to have lower access to Red Books. In general they even have a higher percentage of plots with a Red Book. But this may be different across land use category. As Figure 2 shows, female headed households have a lower percentage of perennial crop plots covered with a LUC (but contrary to the annual land, this difference is not statistically significant).

c) Ethnic differences

Ethnic minorities generally have lower access to Red Books than Kinh households but the difference depends on type of land (Figure 2). Ethnic minorities in the provinces covered survey have significantly lower Red Book percentages on annual land but not on perennial land. The percentage of perennial land with Red Books is higher than the percentage of Red Books on annual land amongst the ethnic minority households, unlike the situation amongst Kinh households.

Figure 2: Percentage of plots with LUC



Source: Calculated from VARHS06 data (only observations with available weights included, 1,461 households)

d) Plots without LUC unequally distributed amongst households

Ten percent of households in the VARHS06 have a Red Book on none of their plots while 65 percent of households have Red Books on all their plots. As can be concluded from the results presented in Table 1, the households with Red Books on none of their plots are more likely to belong to an ethnic minority group, to have younger household heads, to be poorer in terms of food consumption quintiles and to be living further away from the People’s Committee Office (which is usually located centrally in the commune).

Table 1: Ordered logit regression of 3 categories of percentages of plots with Red Book (No plots, some, all plots)

Variables	Coefficient	Significance	Variables	Coefficient	Significance
Kinh	0.580	***	Lao Cai	1.148	***
Head=Male	-0.130		Phu Tho	1.691	***
Age of head	0.019	***	Lai Chau	0.153	
Head can read	0.228		Dien Bien	-0.304	
Head is born in commune	-0.156		Nghe An	0.040	
HH size	0.049		Quang Nam	1.001	***
Food consumption quintile 2	0.326	*	Khanh Hoa	0.014	
Food consumption quintile 3	0.625	***	Dak Lak	-0.015	
Food consumption quintile 4	0.288		Dak Nong	-0.497	
Food consumption quintile 5	0.437	**	Lam Dong	0.666	**
Distance to People’s Committee Office	-0.041	*	Long An	2.363	***

Statistically significant coefficients indicated with *** (significant at 1%), ** (at 5%), * (at 10%)

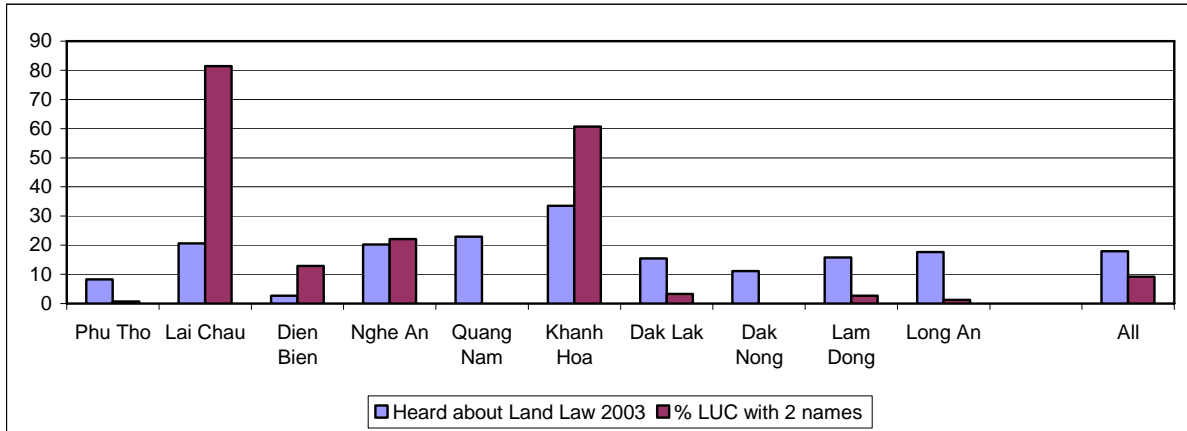
Source: Calculations from 1,461 VARHS06 households using weights

Some provinces score better (compared to the base province Ha Tay) on having a higher coverage of Red Books on plots, namely Lao Cai, Phu Tho, Quang Nam, Lam Dong and Long An. Gender of the household head and education level appear not to be an issue.

e) Information distribution problems: Example Land Law 2003

Part of the existing differences may be due to unequal information distribution (efforts) as we can see from the limited household knowledge about (the existence) of the most recent Land Law (Figure 3). Although 93 percent of the communes in the VARHS06 survey respond that they have organised a meeting to inform the public about the Land Law 2003, only 18 percent of the households have heard about it. However, there does not always appear to be a direct link between having heard about the law and practicing one of its modifications, i.e. having two names subscribed in the LUC if the plot belongs to two persons.

Figure 3: Percentage households who heard about the Land Law 2003 and percentage LUCs with two names



Source: Calculated from VARHS06 data (only observations with available weights included, 1,461 households)

3. Effects of formal land use rights on rice growing

Using data from 12 provinces in Vietnam (2,324 households), land titles were diversified by whether they are exclusively held (one household member registered on the land use certificate) or jointly held (two household members registered). Most titles are exclusively held by the household head. In male headed households 9 percent of LUCs (on plots used for the cultivation of crops) is held by two household members, usually husband and wife. (Table 2)

Effect of LUCs on plot level rice yields

A plot level analysis of rice yields reveals that land titles create a positive effect on productivity. However, when broken down into the number of persons on the LUC only exclusively held titles appear to have the expected positive effects. The positive effect of titles on yields is found only in male headed households.

Effect of LUCs on whole farm rice production

A household level rice yield function reveals that exclusive use rights are efficiency increasing, while jointly held use rights have no efficiency effects. Furthermore, once the gender of the head of household is controlled for, female titles that are exclusively held have a positive effect on the efficiency of the household of a greater magnitude than that of male held titles.

Table 2: Land Use Certificate situation of plots

	Cropland (annual and perennial)		Female headed HHs' plots	Male headed HHs' plots
	Obs	%	%	%
Total plots	10,099	100	100	100
Plots without LUC	1,833	18	12	20
Plots with LUC	8,266	82	88	80
Of which:				
No HH members	373	5	9	4
One HH member	7,214	87	89	87
Two HH members	679	8	2	9
Husband/male head	5,695	69	3	83
Wife/female head	1,345	16	82	3
Husband and wife	603	7	1	9
Other situation	623	8	14	6

Source: Calculated from VARHS06 data (all 2,324 households, no weights used)

4. Conclusion and policy recommendations

- The positive effect of formal land use titles on rice productivity and efficiency calls for continuous efforts in covering the remaining (+/-) 20 percent of plots which are still not covered with Red Books.
- Special efforts should be targeted at reaching those households who do not have any of their plots protected with formal land use titles, most likely ethnic minorities, the poorest households and the most remote.
- Information distribution regarding land policies should be improved to make people aware of their rights. This could trigger an increase in demand for Red Books for the remaining plots.
- Follow up: Even though titles with two names did not appear to have productivity and efficiency effects so far, it might be too early in the process to evaluate their full effect. Red books with two names inscribed are most likely the newer ones and possible productivity increasing effects may only work over a longer time span. This issue should be explored further once future rounds of the data become available.

Sources

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http://www.ciem.org.vn/home/en/upload/info/attach/1194421575609_Characteristics_of_the_Vietnamese_Rural_Economy.pdf

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