

**Property Rights, Collective Action and Poverty:
The Role of Institutions For Poverty Reduction**

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1 INTRODUCTION

The past two decades have witnessed a great expansion of our understanding of how property rights and collective action—which come together in common property—play a key role in natural resources management (NRM) (Wade 1988; Ostrom 1990;1999;2001; Baland and Platteau 1996; Rasmussen and Meinzen-Dick 1995; Agrawal 2001; Meinzen-Dick and Di Gregorio 2004; Bromley 1992). However, as governments, NGOs, and donor organizations place greater emphasis on poverty reduction, it becomes increasingly important to examine the key role played by property rights, and the scope for collective action, in generating wealth and well-being, and to look for ways to make this available to the poor.

Property rights over natural resources are the key assets on which rural people build their livelihoods. Secure property rights provide not only an income stream today, but also incentives to invest in productive technologies and sustainable management of the resources for the future. The rural poor are usually those with weakest property rights; thus secure rights over land, water, trees, livestock, fish, and genetic resources are fundamental mechanisms for reducing poverty. However, many government programs are implemented without an understanding of the complexity of property rights and have actually led to reduced tenure security for poor and marginalized groups, e.g. by weakening customary rights or allowing elite capture of property. Better understanding of how the poor can protect and expand their access to and control over resources can make a powerful contribution to poverty reduction.

There is also growing recognition of the importance of social capital as an asset for poverty reduction. Social capital creates the capacity for collective action (CA) that allows even smallholders to work together to overcome limitations of wealth, farm size, and bargaining power. Collective action is also needed to adopt many technologies and natural resource management practices that operate at the landscape level. As with property rights, the poor and women are often at a disadvantage when it comes to collective action because of social exclusion, lack of time to participate in meetings and activities, lack of education and confidence to speak in meetings, and domination by local elites.

However, much recent work on property rights and collective action focus on their roles in natural resource management (NRM), rather than on how they can contribute to poverty reduction. While sustainable NRM can contribute to poverty reduction, other aspects must also be considered, including the distribution of property rights—between and within communities and households. Furthermore collective action can contribute to poverty reduction in many ways besides through resource management, including through microfinance programs, joint input or output marketing, and a range of other enterprises. Collective action also underpins many Community Driven Development (CDD) programs for service delivery, e.g. of water supply or health care (Nitti and Jahiya 2004).

Though the issue of property rights and access to resources has long been recognized as one of the most critical factors affecting the level and dynamics of poverty,

it has also been one of the most politically contentious issues. Earlier projects often focused on titling and individual freehold tenure (e.g. Feder et al. 1988), without fully considering the benefits of prevailing customary rights (such as the role of flexible access rights in mitigating exposure to risk) or the true costs of establishing titled individual land-holdings and the problems the poor, especially women, faced in getting title (Lastarria-Cornhiel 1997). Even fewer policies have adequately considered the important role of collective action, even where group-level action is clearly needed to meet efficiency, equity and sustainability objectives.

Despite the importance of property rights and collective action for poverty reduction, there is still a knowledge gap regarding exactly how the poor are affected by changes in the property rights regime. Further research is required to directly address the question of how poverty shapes men's and women's incentives and abilities to engage in collective action (Thorp, Stewart, and Heyer 2003) and maintain claims to resources on the one hand, and how different property rights and collective action institutions affect the poor, women, and marginalized groups on the other. Distributional and equity consequences of alternative property rights systems and collective action interventions need to be evaluated. At the same time, it is critical to assess factors that condition the impact of these interventions, including the asset base of households and the community, the risks they face, and prevailing power relations and social and legal structures.

The failure of many cooperatives and community development programs in the 1970s can be traced, in part, to an insufficient understanding of the institutional conditions required for secure property rights and collective action to emerge as an autonomous, group-driven process. Demand for research on the links between poverty and the institutions governing property rights and collective action is widespread and growing (ActionAid 2003; Braden 2003; Datta and Hossain 2003). A wide range of policymakers (those guiding, local and national government officials, NGO decisions, donor representatives) require relevant research findings that can be transformed into policies on property rights and collective action to improve the livelihoods of the poor. While the poor themselves have often been ignored in policy debates (de Haan and Dubey 2003), today many development agencies and NGOs help them gain a voice in debates on poverty (Narayan and Pritchett 2000) .

This paper presents a conceptual framework for examining how property rights and collective action can contribute to poverty reduction, including both external interventions and action by poor people themselves. We begin with definitions of the key concepts—poverty, property rights, and collective action. We then turn to an examination of how property rights and collective action are related to poverty outcomes, building upon the Institutional Analysis and Development (IAD) framework (Ostrom 1991; Oakerson 1992). This interdisciplinary framework allows analysis of a wide range of interactions, and is useful for eliciting relevant questions for examination in any particular case. At the heart of this framework is the action arena, which is shaped by initial conditions and, in turn, determines a range of outcomes. Applying this framework to poverty reduction, we present an analysis of the initial conditions of poverty, including the asset base, risks and vulnerability, legal structure and power relations. We next look at the dynamics of actors—both poor and non-poor—and how they use the tangible and intangible resources they have to shape their livelihoods and the institutions in which

they live. We conclude with a discussion of how this framework can improve our understanding of the outcomes in terms of changes in poverty status.

Discussing such complex and dynamic processes in one paper requires generalization, yet we know that both the material and institutional conditions of the poor vary from place to place, and change over time. Recognizing the importance of local circumstances, we have phrased many of the key points as propositions, to be considered for different situations, but not necessarily applying to all. We hope that this will provide a basis for further thinking and discussion; and in particular, for further empirical analysis, which can advance our understanding of the role collective action and property rights can play in poverty reduction.

2 CONCEPTIONS OF POVERTY

Poverty is globally acknowledged as a serious debilitation of human welfare and potential. Despite this general agreement, the exact definitions of poverty vary widely, from quantitative economic measures to broad definitions of social conditions. National definitions of poverty focus on the amount of income needed to purchase different bundles of consumer goods, starting with the cost of a minimum basket of food products, multiplied by a factor that account for the costs of associated quality and quantity of housing, clothing, transportation and utilities (<http://aspe.hhs.gov/poverty>). One of the most used international indicator of poverty is \$1US / capita. The dollar per day indicator is used by the United Nations Development Fund (UNDP) and World Bank to monitor progress toward the UN Millenium Development Goal (United Nations 2000) of cutting by half the percentage of people living on less than \$1 per day between the year 1990 and 2015.

Monetary measures of poverty are subject to widespread critique for being too narrow. Thus, while the World Bank uses income measures overall, both the "Voices of the Poor" studies and its *World Development Report 2000/1* made a compelling case for the need to consider poverty in broader terms of lack of material well being (food, housing), physical deprivation (health, education), social exclusion, little power and voice, and high vulnerability to social, economic and ecological shocks (Narayan and Petesh 2002).

The United Nations Office of the High Commission for Human Rights (UN OHCHR) definition of poverty is "a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights" (www.unhchr.ch/development/poverty). This definition is directly relevant to an analysis of the links between property rights and collective action. For many of the world's rural poor, property rights are part and parcel of economic rights. And the ability to engage in collective action is an essential choice, capability and power.

Alternatively, Amartya Sen (1999, 87) defines poverty as 'capability deprivation', where capabilities are considered in relation to people's freedom "to lead the kind of lives they value and have reason to value" (1999, 18). Here, income – or lack thereof – is important only in the sense that it affects capability deprivation. Command over commodities is a necessary, but not sufficient condition to achieve specific functionings

((Sen 1985)). Whether or not an actor can make use of the commodity bundle depends on institutional arrangements (social, economic, political) which determine his/her capabilities to act. Property rights are one essential part of these institutional arrangement which define an individuals capability to act. While somewhat difficult to operationalize, Sen's approach differs from the previous definitions by considering the link between the individual and the social environment. Such an approach shifts attention from a focus on income to considering what causes people to be able to choose the kind of life they want to live. This broader focus brings to the fore social relations, choices, opportunities, etc., all of which may be affected by property rights and collective action institutions.

Scale issues are important to denote the poor, because we have to distinguish poor from less poor regions within a country, poor villages from less poor villages in a region and poor household from less poor within a village. Even within the households, some individuals may experience poverty more severely than others, either because of their gender, generation, or other factors. Because poverty is embedded in a socio-economic system, poverty is always relative to a socially defined threshold. A person with a given level of income, food, shelter, or clothing may be considered poor in one society, but not in another. In addition, we have to further specify the degree of poverty within the group of the poor: we find moderately poor and extremely poor, those poor who may have a chance to escape poverty and those who do not have a fair chance to do so and are often termed "chronic" poor.

Whatever the precise definitions used, poor people share several key attributes, which are both a result and a cause of poverty:

- inability to secure *basic needs* (shelter, food, health)
- lack of *income* (or assets that can provide income)
- *social exclusion* (from social networks or more formal organizations)
- *political exclusion* (inability to participate in the political process)
- lack of *opportunities* to improve their conditions
- *vulnerability* (e.g. natural disasters, socio-political instability, market/price risks)

The last condition, in particular, indicates that poverty is not a static condition, but rather must be examined as a dynamic process, changing over time; much recent research has been dedicated to investigating vulnerability, chronic versus transient poverty, and poverty traps (Hulme and Shepherd 2003; Barrett and Swallow 2004). Nonetheless, such analyses often focus on the individual or household, without taking into account the role of complex social interactions in determining vulnerability. One aspect often neglected is the role of power relations between the poor and other actors in society. In many cases, overcoming poverty requires overcoming relationships that keep people poor.

3 PROPERTY RIGHTS

Though there are many definitions of property rights, here we use the definition proposed by Bromley (1999) where property rights are defined as "the capacity to call upon the collective to stand behind one's claim to a benefit stream" (Bromley 1991, emphasis in original). Thus, property rights involve a relationship between the right

