Does land titling matter?
The role of land property rights on the war on illicit crops in Colombia

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Abstract. This paper analyzes the role of the formalization of land property rights on the war on illicit crops in Colombia. We argue that as a consequence of the increase of law enforcement during 2000 and 2009, municipalities with more formalized land property rights had more reduction in the area allocated to illicit crops due to the relative higher cost and the possibility of getting more benefits from the new institutional environment. We exploit the variation in level of property rights a set of municipalities that had their first cadastral census during 1950-2000; this process guarantee a reliable data and source of variation. Using fixed effects estimators, we found a significant negative relationship between the level of formalization of land property rights and the number of hectares allocated to coca crops per municipality. These results remain robust through a number of sensitivity analyses.

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1. Introduction

The distribution and definition of land property rights play a crucial role in the transition from an agricultural to an industrial economy (Easterly, 2007; Barraclough, 1970). A more formalized scheme of land property rights has through the literature often been associated with higher levels of investment, income growth, accumulation of human and physical capital and poverty reduction, among other social and economic outcomes (Besley & Burgess, 2000; Dercon & Krishnan, 2010; Banerjee, Paul J Gertler, & Ghatak, 2002; Deininger & Nagarajan, 2009). In contrast, high levels of informality might lead to an important hurdle in the development process (Acemoglu & Robinson, 2006; Dercon & Krishnan, 2010; Barraclough, 1970). In fact, many scholars have suggested that a lack of formal land rights could hinder law enforcement of government bodies, increase social tensions, facilitate illegal recruitment, forced displacement, land appropriation, and boost illegal activities in conflict areas (Grossman & Kim, 1995; Ibanez & Carlsson, 2010; André & Platteau, 1998). Despite the empirical evidence on social and economic outcomes associated with either formal or informal land property rights systems, relatively little attention has been focused on the relationship between the strength of land property rights and illicit activities.

In Colombia, on average, around 22 per cent of all private rural land has not a formal title, from which 89 per cent are small plots with less than 20 hectares –ha– (Ibáñez & Muñoz-Mora, 2010). These territories are mainly characterized by weak law enforcement, abundance of natural resources, and a high prevalence of poverty, which creates a perfect breeding ground for illegal activities like coca cropping (Dávalos et al., 2011). During nineties, Colombia became in the biggest coca producer in the world (Angrist & Kugler, 2008). In response, the Colombian and US governments launched the program *Plan Colombia* which was meant to increase the strengthen the military, the social cohesion and justice. Nonetheless, despite the billions of dollars spent, the coca production economy seemed hardly damaged by *Plan Colombia*. Instead, because of a constant adapting behavior of coca growers, almost the same amount of cocaine is being produced on only half of the land that was being used for the cultivation of coca crops before the beginning of *Plan Colombia* (Mejía, 2010; GAO, United States Goverment Accountability Office, 2008). This failure therefore generated a need to thoroughly understand which policies of Plan Colombia are most effective in reducing the coca production, and under which circumstances.

In this paper, we analyze the role of the level of formality of land propery rights on the war on illicit crops in Colombia after 2000, where an important increase of law enforcement took place as a result of the implementation of *Plan Colombia* and counter-insurgency policies. We argue that the low presence of the state in most of the Colombian territory before 2000 boosted the spread of coca crops across all the territory. However, once the rule of law increased, policies towards reduction of coca crops were more effective in those municipalities with more formalized property rights over land. Two

main mechanisms might explain this interaction. First, the increase of the probability of being caught led to an important increase in the cost of cropping coca in Colombia, in particular, for those peasants with assets that could be expropriated by the government (e.g. land). Second, better institutional conditions due to the increase of state presence (e.g. *Plan Colombia*, but also institutions related to higher development), could be more attractive for peasants with legal titles because they are able to benefit more from alternative programs (both within *Plan Colombia* and outside the scope of this counter-drug policy), such as land as collateral to obtain credit, but also low-risk crop substitutes, among others. In sum, we argue that improved land rights create microeconomic incentives to change risk taking behavior once law enforcement is guaranteed and more visible. Under this argumentation, two effects are expected. In more formalized municipalities the landplot owners will have less incentives to grow coca crops (i.e. direct effect). Additionally, the war against illicit crops through *Plan Colombia* is more effective (i.e. indirect effect).

We use a unique data set of all Colombian municipalities from 2000 to 2009. As a proxy of formalization of land property rights, we build an index based on the share of small plots (≤ 20 ha) without legal deed, using plot-level census from the Colombian Geographical Institute Agustín Codazzi –IGAC, *Spanish acronym*– and the regional Goverment of Antioquia. Often, the strength or safeness of property rights is measured through an index based on the risk of expropriation (Knack & Keefer, 1995; Acemoglu, Johnson, & Robinson, 2001). Although having a formal title or deed on her land does not guarantee a person is protected from becoming a victim of expropriation when law enforcement is weak, we argue that titling guarantees the possibility to use formal mechanisms to regain the lost land through legal enforcement institutions. In addition, we use information on coca crop fields provided by the United Nations Office on Drugs and Crime -UNODC-. Moreover, we include the five main programs embedded in *Plan Colombia*: (i) seizure of coca leaves in kilograms; (ii) Number of coca labs destroyed; (iii) manual and aerial eradication; (iv) program Forest warden families; and, (v)alternative development programs. All data is provided by the UNODC and Colombian Drugs Information System -SIDCO-. Finally, we include a number of cadastral controls, provided by IGAC.

Endogeneity is our main concern on establishing the relationship between the strength of property rights and coca crops. It could be the case that in municipalities with more productive conditions to crop coca, illegal actors may prevent the implementation of formalization policies or, simply, coca growers are not interested on claiming a title to avoid visibility (i.e. never takers). As a consequence, the variation of land property rights may only take place in those municipalities with less productive conditions. Hence, a reduction of coca crops here would not be due to the strength of land property rights but unonbservables. Albeit we cannot entirely get rid of this bias, we propose to exploit the variation provided by a set of policies launched

between 2000 and 2006, which meant to increase the coverage of the cadastral information across all Colombian territory. As a result, between 1994 and 2000, a first plot-census took place in around 17 percent of the Colombian villages, which were mainly villages located in the former agricultural frontier (Ramos, 2003). Apart from establishing a reliable land tenure information system, the plot-census allowed land holders to clarify unregistered existing titles and start administrative process to claim a formal title. Therefore, we can guarantee reliable quality data and a source of temporal variation through the resolution of these administrative claims. Unfortunately, the data does not allow us to control for other sources of temporal variation, such as titling programs or other behavior and/or activities that could be correlated with coca crops. We therefore propose a fixed effect model in which we control for different levels of unobservables that could bias our estimates. Although our results do not constitute a string casual relationship, we argue they provide strong evidence on the existence of the hypothesized relationship.

Our findings suggest that stronger structures of property rights have a negative effect on the percentage of land allocated to coca leaf plantations. In general, we found that an increase of one standard deviation of the formality index for small-holders is related to a decreasing of the area allocated to coca crops per municipality by 0.566 standard deviations. Furthermore, Plan Colombia policies have a potential reducing effect of 0.025 standard deviationa on coca crops presence in municipalities with a higher than average level of formality of land property rights. These findings support our two mechanisms, in which the former robust variable explains the increased risk of getting caught, and the latter the mechanism of benefiting from development programs. We do not find spill-over effects on neighbors municipalities. Other sensitivity analyses using different samples and land formality approaches reveal confirming results. Moreover, after performing a dynamic specification (i.e. control for lagged dependent variable) through the System GMM developed by Arellano and Bover (1995) and Blundell and Bond (1998), we find similar results.

To the best of our knowledge, this is the first study to provide empirical evidence on the relationship between different levels of formalization of land property rights and incentives for illicit activities such as coca crop production. Hence, our study contributes to the economic literature in two distinctive ways. Firstly, we contribute to the debate on the importance of institutions concerning micro- and macro-economic and social performance. Secondly, our results provide technical support in favor of policies focusing on the strength of institutions as an effective alternative to counter illicit behavior like the coca production in Colombia.

The structure of the paper is as follows. Section two discusses the economic framework of land property rights and illicit activities. In section three, we provide a brief institutional context of Colombia. Section four introduces the data and our identification strategy. The econometric results are discussed in section five. Section six concludes.

2. Land property rights and illegal crops: an economic framework.

Land property rights form a key component in the institutional setting, establishing the rules over the use and access of land (North, 1990; Dercon & Krishnan, 2010). A well-defined land property rights scheme should guarantee a private, exclusive, transferable, alienable, and enforceable right to appropriate any rent or benefit from the land (Demsetz, 1967; Feder & Feeny, 1991). It therefore implies a social and political scheme to enforce these rights. In most western societies, formal titles or deeds constitute a physical representation of a property rights system (i.e. *de facto*), whereby the state enforces the complete enjoyment of land rights. In contrast, in many developing countries, land property rights still fall within the realm of informal customary law, which is often based on ethical or religious principles. Within such a system, rather than the physical representation of land titles, people or communities hold symbolic and intangible rights over land (i.e. *de jure*) (Dercon & Krishnan, 2010; Besley, 1995). In general, these systems are considered less efficient as their formal counterpart, due to their less strict characteristics, in combination with weak law enforcement and limited transferability (Demsetz, 1967; Feder & Onchan, 1987; Hafer, 2006; Besley & Persson, 2009; Deininger, Ali, & Yamano, 2008).

A number of positive economic and social outcomes are commonly associated with formal and well defined land property rights systems. Firstly, several scholars find positive effects towards rural investment. Two mechanisms are considered here. On the one hand, as a direct consequence of a reduction in the risk of expropriation (i.e. decreases uncertainty), the expected returns might increase. Consequently, peasants and external investors are more inclined to invest in the short, medium and long term, resulting in higher productivity and therefore rural welfare (Besley, 1995; Deininger et al., 2008). On the other hand, because formal titles over land could easily be utilized as collateral, credit markets are more easily accessible for land owners, increasing potential investment (Feder & Onchan, 1987; Deininger et al., 2008). Although these arguments are susceptible for endogeinity (i.e. more investment could incentive a demand for improved land rights), results seem to be robust after controlling for this potential bias (Besley, 1995). Secondly, formal land property rights prompt efficiency in the land market. The marketability gains could lead to an important increase in land transactions (Conning & Robinson, 2007). This new dynamic modifies not only the equilibrium prices in the land market, but also matching efficiency in the land rental markets, resulting in a significant increase in productivity (Macours, Janvry, & Sadoulet, 2010; Deininger & Chamorro, 2004). Third, in addition to the mechanisms pointed out, a growing body of evidence has shown positive effects on income growth and accumulation of human and physical capital (Deininger & Nagarajan, 2009; Besley & Burgess, 2000) , poverty reduction (Galiani & Schargrodsky, 2010), labor supply (Field, 2007), political empowerment (Goldstein & Udry, 2008), reduction of social confrontations

(Albertus & Kaplan, 2013) and an increase in bargaining power of the less wealthy in a region (Banerjee et al., 2002).

Nevertheless, formal land property rights schemes are not necessarily the best option in every context. Multiple studies have found counter-evidence on the positive effects pointed out above (Pande & Udry, 2006; Brasselle, Gaspart, & Platteau, 2002). Brasselle et al. (2002) find in Burkina Faso that traditional, more customary, communal and informal institutions create a good small-scale investment climate just as well as their codified and secure counterpart. Deininger and Jin (2006) find similar ambiguous evidence related to productivity and investment with data from Ethiopia, arguing that the increased percentage of formal land property rights through the number of planted trees had discouraged productivity and enhanced investments such as terracing. Nonetheless, as these authors point out, these findings are mainly due to effectiveness of the informal enforcement mechanisms (e.g. religious punishment), which are found to be as effective as their formal counterpart when well established (Goldstein & Udry, 2008; Besley, Burchardi, & Ghatak, 2012; Brasselle et al., 2002).

An important implication of the strength of land property rights is the increase of risk of expropriation, which could affect the portfolio choice. The absence of a title or effective mechanisms to enforce them, deprive poor families of having a valuable insurance and saving tool that could provide protection during bad times and retirement (Galiani & Schargrodsky, 2010). Hence, scatters usually choose for other insurance alternatives, preferring a short time horizon and risky portfolio (Besley, 1995). This might create opportunities for illicit behavior to emerge, especially in rural areas with weak law enforcement and the natural conditions to develop profitable and illegal crops. Nevertheless, little is known about the potential implication of the strength of land property rights on illicit behavior.

3. Land property rights and coca crops in Colombia: an institutional background.

In Colombia, the land property rights system can be characterized as dual[1]. On the one hand, a large portion of land plots with formalized titles were the result of land distribution in the colonial period, as well as the different polices of assignation of public land during the last two centuries (Ibáñez & Muñoz-Mora, 2010)[2]. The remaining land stayed mainly informal due to unplanned expansion of the agricultural frontier. This dual and unequal scheme has become not only an important hurdle to the development of the region

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[1] Ample of literature can be found on land issues in Colombia. Machado (2009) reviews the different land institutions and policies from the colonial period until the late twentieth century. Social confrontation and colonization have been important topics for both LeGrand (1988) for the period of 1850-1950, as well as Oquist (1980) for the period 1940-1960. Recently, Ibáñez and Muñoz-Mora (2010) provide a general overview.

[2] After independence most of the colonial institutions remained in place, with the land titles which originated during the Spanish rule enforced by the new sovereign state (Machado,

and country, but also one of the main sources of social conflict (LeGrand, 1988). The Colombian government has launched several attempts to resolve this duality in the property rights scheme[3]. Nevertheless, after three attempts of implementing a traditional land reform, the old structure remained firmly in place (Binswanger, Deininger, & Feder, 1995; Machado, 2009). Two explanations are primarily responsible for this failure: (i) poor design and low state capacity; and, (ii) the power of large landowners, who blocked and transformed the reforms in their benefit (Ibáñez & Muñoz-Mora, 2010). Recently, Law 160 issued in 1994, was designed to boost rural development through the promotion of land markets, which positioned the responsibility to clarify property rights with the peasant. Supply-oriented formalization programs in which the state promoted titling, making it more easy for landowners to obtain them, and in which the state verified and reconfirmed existing titles, have been rare, with the latest one between 1997 and 2002. This program, led by the IDB and the Colombian government, gave over 250,000 households a formal title[4].

The 1980s saw the rise of coca cartels, in a country torn by political conflict with unsolved historical land issues. Although Colombian drug dealers were initially rather intermediaries than producers[5], during 1990s coca crops rapidly spread across all Colombian territories (Mejía & Rico, 2010)[6]. Several facts explain this expansion. Firstly, due to the effective counter drug production policies in Peru and Bolivia, Colombian drug dealers were left with no other option than to find new locations for their coca growing and producing activities (Angrist & Kugler, 2008). Secondly, as demand for cocaine grew in the world, which increased potential profits of this illicit industry, illegal groups started participating actively in the production of coca crops. The strategy of these groups was to use most of the territories under their control for coca production, where small scale coca growers were obliged to sell

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2009). This set the initial conditions of land property rights in Colombia, with large formalized land plots based on former semi-feudal structures (LeGrand, 1988; Ibáñez & Muñoz-Mora, 2010).

[3]For a detailed description of those policies see Machado (2009) and Ibáñez and Muñoz-Mora (2010)

[4]This program called "Program for land titling and modernization of the registry of deed and cadastre" was designed to consolidate and strengthen an open, transparent, and efficient land market that would make access to the financial system easier for urban and rural property owners. Registered titles would be awarded to approximately 100,000 parcels of land in 200 rural municipalities and 150,000 parcels of urban property in 50 municipalities (Colombian Goverment - IDB, 1997).

[5]The cocaine production process usually consists of four stages: (i) growing and cropping the coca leaves; (ii) extraction of coca paste; (iii) transformation into cocaine base; and (iv) the conversion of cocaine base into cocaine hydrochloride, a process that due to its complexity usually takes place in local laboratories. The final stage is trafficking or commercialization (Mejía & Rico, 2010)

[6]Mejía and Posada (2010) point out: "In 1990, Peru had the largest number of hectares under coca cultivation (about 62 percent of the total), and Colombia the lowest (14 percent). By 1999, these shares had completely reversed, with Peru having 21 percent of the total, Bolivia, 12 percent, and Colombia 67 percent."

their output to these groups exclusively in return for protection and technical support.

The expansion of coca crop fields mainly took place on the agricultural frontier, where the lack of law enforcement, the weak definition of land property rights, the abundant natural resources and the high prevalence of poverty generated a perfect environment to establish the coca production industry, which is mainly based on small coca growers (i.e. small land plots) [7] (Dávalos et al., 2011; Mejía & Rico, 2010; Angrist & Kugler, 2008). Albeit only a small portion of total profits stays with the small coca growers, this profit is relatively higher than any other alternative crop(Mejía & Rico, 2010). Over the years, Colombia has seen many policies to reduce coca production, with *Plan Colombia* as the most comprehensive[8]. This program had three pillars: strengthen the military power, social cohesion and development, and justice[9]. Seizure of raw materials for coca production, manual and aerial eradication of coca fields, land expropriation, destruction of laboratories, interdiction of drug shipments and promotion of alternative development programs formed frequent tactics within this policy (Mejía, 2010; GAO, United States Goverment Accountability Office, 2008). *Plan Colombia* was complemented with an intense counter-insurgency policy, launched by the president Alvaro Uribe (2002-2010). Despite an important increase of law enforcement in all the national territories[10] and putting a stop to the expansion of coca fields, the production side was hardly touched upon. In fact, almost the same amount of cocaine is being produced on half the land that was being used for the cultivation of coca crops before the start of *Plan Colombia* (Mejía, 2010).

These mixed results might be explained through a number of reasons. Firstly, because drug producers' capacity to counteract anti-drug policies is much larger than the capacity of drug traffickers, policies were less effective towards the production side (Mejía & Restrepo, 2008). Small coca growers appeared to be able to learn and adapt fast, thereby evading the rule of law and re-allocating their crops (Mejía & Rico, 2010; Mejía & Restrepo, 2008). Secondly, it seems to suggest that small coca growers follow a persistent

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[7]As is indicated by Dávalos et al. (2011, p. 1225): "The expansion of coca itself is an indication that these municipalities constitute the agricultural frontier, where settled land ends and new inroads begin. If so, these municipalities should have a greater proportion of their surface in forest because socio-political integration and economic development have produced massive forest loss in Colombian history."

[8]*Plan Colombia* originated between 1998 and 1999 as a bilateral cooperation program between the governments of Colombia and the United States to counter illegal drugs and organized crime. The program demanded combined average annual spending of US$ 1.7 billion (2011 US dollars) between 1999 and 2005 (GAO, United States Goverment Accountability Office, 2008)

[9]For a complete technical overview and evaluation of the *Plan Colombia* see Mejía (2010) and Mejía and Restrepo (2008), or from an political point of view see GAO, United States Goverment Accountability Office (2008)

[10]Before 2002, almost 5 % of Colombian municipalities (i.e. 50) did not have police presence. During the government of president Uribe, in 18 % of the Colombian municipalities the presence of police and army was increased (Cortés, Vargas, Hincapie, & del Rosario Franco, 2012)

risk-taking behavior pattern, whereby coca cultivation becomes inelastic to increases in perceived risk. Ibanez and Carlsson (2010) point out that this behavior cannot only be explained in terms of monetary reasons. Non-monetary variables, such as experience with coca cultivation, legitimacy of authorities, and religion, could be important factors in this decision making procedure of coca growers as well. Hence, an increase of law enforcement is efficient if and only if the policies generate microeconomics incentives to change the risk taking behavior of coca growers, thereby restoring the link between small coca growers and the state. In such a context, the strength of land property rights might have had an important role on the efficiency and effectiveness of the war on illegal crops in Colombia.

4. Empirical framework

We use a ten year longitudinal data set for all Colombian municipalities over the years 2000-2009. Based upon satellite information, the United Nations Office on Drugs and Crime –UNODC– provides the net area allocated to coca crops in each Colombian municipality over time[11]. As our main variable of interest, we build an index for formal land property rights in small plots (≤ 20 ha)[12], based on the cadastral information provided by the Colombian Geographical Institute Agustín Codazzi –IGAC, *Spanish acronym*– and the regional Goverment of Antioquia[13]. These plot census gather information on the owner, the physical characteristics of the land and, specifically, on the registration of any formal title or deed at the local registry offices[14]; it allows us to categorize every single plot as *formal* or *informal*. Thereby, our land tenure formality index for small-holders (≤ 20 ha), f_{it}, is defined as:

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[11]Because coca fields could change within the same year, UNODC uses a cut-off date at the end of each year to estimate the area under coca cultivation. Some potential measurement errors need to be taken into account. First, albeit satellite images are corrected for meteorological conditions, some bias such as mountain slopes and recognition of abandoned fields could persist. Second, the method of data collection on the coca fields could rule out the detection of short term coca plantations. Some of these drawbacks are partially handled with auxiliary information from the Colombian Government and correction through verification overflights ("World Drug Report 2011", 2011).

[12]There is an open debate about the definition of the size for small plots in developing countries (Among others, see Eastwood, Lipton, and Newell (2010), Berry (2010) and Carter (1984)). We opted for a conservative definition of small farm, using 20 ha as threshold. Nonetheless, results are qualitatively similar using other thresholds such as ≤ 10 ha and ≤ 5 ha.

[13]Although these institutions gather the information using different instruments, both are based on Colombian Law which makes them comparable. For further information about this process see Ibáñez, Muñoz-Mora, and Gafaro (2012) and Muñoz-Mora and Zapata (2011). This data is only available from 2006 onward. We re-estimate excluding this information from the initial specification and we did not find an important difference in our results. Therefore, we have decided to keep it, in order to increase the number of observations

[14]Despite the fact that under Colombian law, a tenant without title could claim some basic right over land, only registered titles are considered as *formal*

$$f_{it} = \frac{\text{Area (ha) of formal properties for small land-holders } (\leq 20\text{ha})_{i,t}}{\text{Private cadastral area (ha) for small land-holders } (\leq 20\text{ha})_{i,t}}$$

The cadastral municipality information could be in two different states: (i) If no collection of data has been carried out, people are obliged to declare their land themselves without any technical verification. It creates very vague information known as a *fiscal cadastral*. (ii) Once the plot census has taken place, all the information about location, ownership, physical characteristics and size are verified by a technician from IGAC. From this point onward, municipalities are considered as *formed cadastral*. Since it is impossible to carry out a plot census every year, owners are obliged to report any land transactions, in a process called *cadastral conservation*. According to Colombia's law, a given municipality is updated within five years after having been formed, then a new census plot must be carried out. Whereas the first plot census or *cadastral formation* is a centralized decision taken by IGAC and the Colombian government, the updating process is generally a combined decision of local and central authorities[15]. Given this structure of the cadastral information, several concerns might arise. Firstly, given the fact that additional information after the official plot census is self-reported by the owner, it could generate a measurement error due to miss-reporting. That is, our index could be under-estimating the real state of land property rights due to unobserved owners' characteristics which might disincentivize the registration of new titles or deeds. Secondly, given the high demands in terms of costs organization required for the updating process, only well-motivated politicians will promote such policies. Furthermore, illegal actors or large owners could manipulate the local institutions to block the implementation of titling programs or the updating of the cadastral information to keep the *status quo*(Fergusson, 2013). This might generate an important selection problem whereby a systematic difference could arise between municipalities with different cadastral information quality, which could be correlated with the persistence of coca crops.

Although we cannot entirely isolate these potential sources of bias, we propose to use a sample of municipalities that had their first census plot (i.e. cadastral formation) carried out between 1995 and 2000. During this period, different policies and programs were launched to improve the coverage of the cadastral information, embedded in the law 160 of 1994[16]. This resulted in a modernization of the census data, with a 17 percent increase of the formed land-plot status in the municipalities in this period mainly located in the

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[15]For further details about the process and the different administrative duties from Local and Central Governments, see Resolutions 2555 of 1988 and 70 of 2011 of the Geographical Institute Agustín Codazzi.

[16]For instance, Law 388 of 1997 stated that the central government is obliged to carry out plot census for all *fiscal cadastral* land plots within one year and the "Program for land titling and modernization of the registry of deed and cadastre" which provided a financial support to carry these programs

former agricultural frontier (Ramos, 2003). Graph 1 shows the distribution of municipalities by year when cadastral data set was formed (i.e. first census plot) for all Colombian municipalities that either have natural conditions to crop coca (i.e. altitude 500 to 2000 mts over sea) or ever had coca during the period 2000-2009. Although after 1990 an increase of cadastral coverage took place over all Colombian territory, what made this process different between 1995 and 2000 was the fact that, for first time, cadastral census was though as a key tool to boost local development (Ramos, 2003). Therefore, we can guarantee a common baseline for a set of municipalities with similar reliable data quality[17].

Regarding the policies of *Plan Colombia*, we use information provided by the UNODC and the Colombian Drugs Information System –SIDCO, *Spanish acronym–*. For the interdiction policies we consider two variables: Number of kilograms of coca leaves seized and Number of laboratories destroyed[18]. Furthermore, we include the number of hectares eradicated both by aerial spraying and manually[19]. Regarding the alternative development policies we use the presence of Forest Warden Family programs[20] and Productive Projects programs[21]. Finally, we also include extra cadastral controls provided by IGAC. These include the land quality gini index, share of cadastral area of public land, share of cadastral area of indigenous communities and share of cadastral area of natural parks.

Our baseline sample considers all municipalities for which the cadastral information was formed between 1995 and 2000 and either have natural

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[17]Municipalities with a low quality in their cadastral information generally have an important difference between geographical and cadastral areas, which means that not all plots were visited by the cadastral census. In the municipalities that were selected in our sample, both the mean and median of the cadastral areas is 97 per cent of the physical area, which confirms even further the quality of this data.

[18]As we pointed out above, there are different stages in the coca production process, we sum up all the types of laboratories destroyed without distinction.

[19]This information is the sum of the hectares manually eradicated by national policy, army and the mobile groups of eradication –GME, *Spanish Acronym–*

[20]This program has been implemented in seven phases: (i) *Phases I-II*: three years of intervention during 2003-2006, with 36.222 households in 35 beneficiary municipalities; (ii) *Phase III*: three years of intervention during 2006-2009, with 17.406 households in 25 beneficiary municipalities; (iii) *Phase IV*: one and half years of intervention during 2007-2009, with 33.546 households in 39 beneficiary municipalities; (iv) *Phase V*: one and half years of invention during 2008-2010, with 19.743 households in 24 beneficiary municipalities; (v) *Phase VI*: two and half years of intervention with 7.401 households in 5 beneficiary municipalities; (vi) *Phase VII*: two and half years of intervention with 7.759 households in 21 beneficiary municipalities(UNODC & Colombian Goverment, 2011). In our analysis we include municipalities which benefited during phase I to IV.

[21]In 1996, Colombian Government launched the National Program for Alternative Development –PLANTE, *Spanish acronym* –, which sought to support productive projects in coca affected municipalities. After 2003, all these projects were embedded in the module of Alternative Development programs of Plan Colombia. Therefore, albeit officially Plan Colombia only started supporting projects from 2003 onwards, information on productive projects is available since 2000.

conditions to crop coca(i.e. altitude 500 to 2000 mts over sea), Potential Producers –PP–, or ever had coca during that period, Coca Producers –CP–. Table 1 reports the descriptive statistics. The total hectares of coca crop fields per municipality, is clearly highly concentrated in a small areas, as shown by the high standard deviation and the ninetieth and ninety-ninth quantile. This is also reflected in the low share of municipality area devoted to coca crops. As expected, smaller land-plots are on average less formalized than the median-size land plots, which might echo the larger visibility of the median-size land owners. The statistics of the Plan Colombia variables reflect the policies as elaborated upon in the context section, with a clear focus on aerial spraying, anti-narcotic operations and manual eradication. The alternative development projects have only received minor attention in the years of observation. The four remaining variables complement the data description, exhibiting large differences in land quality over the municipality land, but low shares of public and indigenous land, as well as natural reserves. We also report the statistics on the time-invariant covariates.

[Table 1 goes about here]

Graph 2 shows the kernel distribution of our main variable of interest for two years: 2000 and 2009; we see that the variable his concentrated in the right around 0.95. Notwithstanding there is not extreme changes between years (i.e. Kolmogorov-Smirnov test could not reject the null hypothesis), we confirm this increasing tendency over time.

[Graph 2 goes about here]

Graphs 3 and4 show the spatial distribution of the average share of municipality area on coca fields and the number of years with coca field over 2000 -2009 respectively. We include all Colombian municipalities, highlighting our baseline sample. In general, we found that, on average, most of the municipality coca producers allocated less than 0.02 % of their territory to coca production, only few cases are in the upper tercile. Now, when we move to the average of years, we found more spatial heterogeneity; albeit most of the coca producers had between 2 and 6 years (i.e. middle tercile), we also found a large proportion of municipalities with more than 6 years with a positive allocation to illegal crops. In a first glance, we did not find any spatial pattern between coca producers included in our sample and those excluded.

[Graphs 3 and 4 go about here]

In table 2, a more detailed picture can be obtained of the differences between the excluded municipalities and our sample. We could not reject the hypothesis null of equality between the share of municipality area on coca fields and the application of all the application of all *Plan Colombia* policies between the CP excluded and our sample. As expected, we do find difference on the levels of formality , cadastral related variables and the persistence of the coca crops. We provide further evidence about the difference between municipalities in the next section.

[Table 2 goes about here]

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4.1. Identification Strategy

The empirical strategy pursued in this paper can be described as follows. Before *Plan Colombia* was launched, the low presence of the state in most of the Colombian territories boosted the spread of coca crops across all areas. However, once the rule of law was increased due to the implementation of *Plan Colombia*, reduction of coca crops was more effective in those municipalities with more formalized land property rights over land. Two main mechanisms might explain this interaction. Firstly, as we pointed out, the increase of the probability of getting caught led to an important increase in the cost of cropping coca in Colombia, in particular, for those peasants with assets that could be expropriated by the government. For most individuals in these areas, land is one of the most important assets. Loss of these assets would therefore have severe consequences. Secondly, better institutional conditions due to the increase of state presence, could be more beneficial and therefore attractive for peasants with legal titles because their formal title allows them to use the land more in institutional settings, become more visible, and take more advantage of alternative programs. This not only holds for the programs offered through *Plan Colombia*, but also in general through positive externalities of formal property rights (e.g. higher productivity, investment, social capital), allowing the peasant to chose for low-risk and legal crop substitutes. In sum, we argue that improved land rights create microeconomic incentives to change risk taking behavior once law enforcement is guaranteed. Under this identification strategy, two effects are expected. More formalized municipalities not only grow less coca crops (i.e. direct effect), but also the war on illicit crops though *Plan Colombia* is more efficient (i.e. indirect effect).

We exploit the variation of the level of formalization in a sample of municipalities that had their first census between 1995 and 2000. As we have pointed out above, we argue that the institutional setting during that period led to a coordinated government initiative to implement cadastral formation programs in those municipalities with *fiscal cadastre*. This expansion of cadastral coverage was exogenous to local decision and took place across all the Colombian territories, in particular, in the former agricultural frontier[22]. Unlike the other similar process, cadastral formation between 1995 and 2000 offered land holders with informal titles (i.e. unregistered deeds) the opportunity to register their deed at local authorities and start administrative process to claim for a formal title when absent. Hence, since our formality approach is bounded and increasing, three main source of variation will help us to identify the relationship[23]: (i) resolution of administrative process started in the formation process; (ii) self-motivated peasants claiming new titles; and, (ii)

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[22]An interviewed technician from IGAC stated that even municipalities with high presence of guerrillas were included in this initiative. Nevertheless, not all the municipalities initially planned to have a census plot were included. A small number of cases were ruled out due to budget constraints and an additional small number due to ongoing conflict.

[23]Since our index is a rate, an alternative source of variation is when the denominator changes (i.e. Private cadastral area (ha) for small land-holders). Nevertheless, as graph 5 shows, this proportion is stable over time.

new titling programs. Two main concerns arise from this strategy. First, since the final decision of going to formality still relies on the scatters, some peasants could decide to stay in informality to crop coca. If this were the case, municipalities with more suitable conditions to grow coca would have less variation in their formality index than the less coca growing municipalities. Although we strongly believe that peasants will always pursuit a title, we propose several robustness to control for this strategical behavior. Second, a systematic difference might be present between our sample and other municipalities. To test this, we run a basic quasi-random assignment test to check the presence of any systematic difference between our baseline sample and other potential coca producers (PP) and coca producer (CP) municipalities. In particular, we estimate the following equation:

$$c_i = \alpha_0 + \alpha_2 D_i + v_i$$

where c_i is the characteristics of village g, D_i is a dummy variable indicating whether municipality was formed between 1995 and 2000 and v_i stands for the error term clustered at the department level. If this cadastral formation process is uncorrelated with municipality characteristics, then α_1 would be small and statistically insignificant for all characteristics. We use information from Colombian National Census in 1993 and other socioeconomic information for 1993-1200 provided by the data set from Universidad de los Andes - Colombia. Table 3 shows the result for 24 different characteristics. We found that municipalities included in our sample had more population, were located closer to Bogota, had less Unastified Basic Need (1993) and less municipality area covered by natural forest. In contrast, we did not find different in other characteristics related with violence, institutional strenght, among other characteristics. Therefore, although not systematic difference is observed, results suggests that existence of potential source of bias due to the absent of completely randomness in the application of the cadastral formation. Therefore, we control for different potential unobservable characteristics that could potentially bias our estimates. Therefore, the equation to estimate is:

$$
\begin{aligned}
Coca\ crops_{i,j,t} = \quad & \alpha Formality\ land_{i,j,t} + \mathbf{P}_{i,j,t}\beta + Formality\ land_{i,j,t} \times \mathbf{P}_{i,j,t}\delta \\
& + \sum_{k=2000}^{2009} \theta_k dT_k + \rho_{j,t} + update_{i,j,t} + c_i + u_{i,j,t}
\end{aligned}
$$

where the sub-index i refers to the municipality, j refers to coca region[24] and t the time period. The dependent variable is the proportion of municipality area allocated to illicit coca, and our main variable of interest is the index for formal land property rights for small plots (≤ 20 ha), $Formality\ land_{i,j,t}$. Furthermore, the vector $\mathbf{P}_{i,j,t}$ denotes the set of controls from Plan Colombia; in particular, we include: (i) aerial spraying (ha), (ii) manual eradication

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[24]The "World Drug Report 2011" (2011) identified seven regions in which production, techniques and input prices in the coca market were homogeneous.

(ha), (iii) presence of program of Forest Warden Families (yes=1), (iv) presence of alternative productive projects (yes=1), (v) Number of laboratories destroyed; and, (vi) Seizure of coca leaves (kg). In order to identify whether the effectiveness of *Plan Colombia* depend on in the value of the strength of land property rights, we include three interactions terms with the different types of policies. Under our identification strategy, we expect a negative direct effect of the strength of land property rights on coca crops (i.e. $\alpha < 0$); furthermore, we expect *Plan Colombia* policies to be more effective in those municipalities with more formalized land property rights (i.e. $\delta_z < 0 : \forall \delta_z$).

We control for different potential unobservable characteristics. Firstly, c_i stands for fixed municipality conditions (e.g. natural conditions, roads, among others) that could be correlated with the presence of coca crops, making some municipalities more prone than others to grow illegal crops[25]. Secondly, we control for common shocks across years using year-fixed effects $dT_k = 1$ $\forall k = 2000, ..., 2009$. Third, $\rho_{j,t}$ represents coca region-year fixed effects to control for common events that affected all municipalities within a given region in a specific year; examples here would be productivity shocks and input prices, among other aspects that have been identified homogeneously in these regions ("World Drug Report 2011", 2011). Fourth, since the cadastral updating process depends on local decisions, we include the dummy variable $update_{i,j,t}$ that takes the value 1 when an updating process took place in that year and stays 1 the subsequent years. This variable allow us to control for unobservable effects which could be the result of more motivated politicians or better institutions, among others. Finally, $u_{i,j,t}$ is clustered in two levels: municipality and department-year. This two-way clustering allows us to control for other potential sources of bias associated with time-variant department level characteristics (Cameron, Gelbach, & Miller, 2011).

We propose a set of robustness checks. First, we introduce a new set of covariates trying to explore alternative explanations for our estimates. As the "World Drug Report 2011" (2011) points out, one of the main challenges of the war on drugs in Colombia is the mobility of coca growers; hence our results could be explained by the fact that coca growers move to other locations, leaving the original plots. Therefore, a reduction of coca crops in one municipality could be explained by an increase of coca crops in neighboring areas. Albeit we are already controlling for time-variant unobservable effects within coca regions, we include three variables which try to capture the spillover effect of such behavior. In particular, we include the change of coca crops presence between the current and the subsequent year considering three distances: 25km, 50km and 100km [26]. Other alternative explanations

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[25]Therefore, very formalized municipalities before 2000 (i.e. *Formality land*$_{i,j,t} = 1 \forall t$) and municipalities with a fixed level of formality (i.e. *Formality land*$_{i,j,t} = c \forall t$) will be naturally excluded from our identification strategy.

[26]Distances were computed using the main urban center of each municipality. We choose to use this instead of the centroid of the municipality polygon because it provides an better approach of real distance. We estimate the euclidean distance.

would be the presence of natural parks, indigenous communities and idle public land, as well as issues related to land concentration (gini land index).

Additionally, we test the sensibility of our results using different samples. In particular, we repeat our baseline results using all the municipalities that were either formed or updated between 1990 and 1970; then, we re-estimate using only those municipalities that have seen their data updated (i.e. between the five years after the last plot census). Finally, we estimate using all municipalities. In all cases we consider first, municipalities that ever had coca crops during the period of study, and second, an extended sample including all municipalities that have the natural conditions for coca cropping.

We run a placebo test using a sample of large-sized land owners (i.e. larger than 200 ha); if our results are driven only by a general trend of developing institutions, we would find similar effects using this index. Furthermore, despite of having multiple controls for unobservables, the persistence in the allocation rule to illegal crops across years in some Colombian municipalities, might generate a dynamic relationship in the data. In other words, the proportion of area allocated to illicit coca fields in a given year might affect the presence of coca fields in the following years (Bray et al., 1983; USDJ, 1991; Moreno-Sanchez, Kraybill, & Thompson, 2003). Under this setting, traditional methods such as pooled OLS or the within transformation estimator are biased and inconsistent (Arellano & Bond, 1991; Bond, 2002; Arellano & Honoré, 2001; Baltagi, 2008). To deal with these challenges, we use the System GMM developed by Arellano and Bover (1995) and Blundell and Bond (1998) [27].

5. Empirical results

Our findings show a significant negative relationship between the level of formalization in land property rights and the number of hectares allocated to coca crops per municipality. These results are robust to the introduction of additional controls, the use of different samples and the performance of a placebo test, as well as the implementation of an alternative specification in a dynamic setting.

5.1. Baseline Results

Table 4 presents our baseline results using a panel of Colombian municipalities over the period 2000 to 2009. We present seven different specifications, including multiple controls and interaction terms between our main variable of interest and the separate policies of *Plan Colombia*. The point estimate of the formality index of property rights for small land-owners is negative and significant in all specifications. Furthermore, this coefficient barely changes

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[27]This technique allows us to obtain efficient estimations with a small sample over time and to control different endogeneity sources. Moreover, System-GMM proposes an ingenious staked dataset which makes it possible to filter out the individual fixed effects and to include time-invariant controls (Blundell & Bond, 1998).

as more controls are included, which suggests a robust relation between coca production and the levels of coca crops. In general, we found that an increase of one standard deviation (i.e. 0.19) of the formality index for small-holders is related to a reduction in the area allocated to coca crops by 0.581 standard deviations (i.e. 0.0023). These findings strongly support the first element of our primary hypothesis; once the state became more present and visible after 2000, municipalities with more variation of their land property rights for small land plots had significantly less coca crops.

When looking at the coefficients of the main policies of *Plan Colombia*, as expected, we do not find an strong average effects towards the presence of coca crops. Nevertheless, the presence of the program for Forest Warden Families has a consistent negative effects on the level of coca crops. Nevertheless, no more significant effects were found regarding the other policies of *Plan Colombia*, which supports other studies regarding some unsuccessful policies implemented through *Plan Colombia* (see for instance Mejía (2010)). When we look at the interactions terms we find that in those municipalities where all the interdiction policies where one standard deviation above the mean were more effective in municipalities with high formality index. Morever, when we interact all the plan colombia policies, we found that where also more effective in those municipalities. It confirms our second hypothesis as well, with respect to the effectiveness of the war on drugs in highly-formalized municipalities.

[Table 4 goes about here]

5.2. Sensitivity Analyses

In this section we present four additional sensitivity analyses to confirm the robustness of our results. We re-estimate our baseline results using additional controls and different samples. We perform a placebo test to check whether our results are driven by a general trend of institutions. Finally, we consider a dynamic specification to account for the persistence in the allocation rule to illegal crops across years in some municipalities.

First, in order to account for alternative explanations for the reduction of coca crops, we consider additional covariates. In particular, we include three variables in an attempt to capture the spillover effect of the policies implemented through *Plan Colombia*. Table 5 presents the results. The point estimate of the formality index for small-holders remains negative and statistically significant. Furthermore, we did not find some spill-over effects at any distance.

[Table 5 goes about here]

Second, we repeat the estimations using alternative samples. This allows us to check the sensibility of our results regarding the quality of the data. These alternative samples include: (i) Our baseline results considering only municipalities that ever had coca crops. (ii) Municipalities that either had their first census plot or the last cadastral update after 1990. (iii) Municipalities that either had their first census plot or the last cadastral update after

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1970. (iv) Municipalities for which the cadastral information is considered to be up to date, which means a follow-up census plot has been carried out after five years of the last data collection point. (v) All municipalities. For each sample the analysis considers two subsamples: municipalities with coca crops in at least one year of our period of study plus municipalities with the natural conditions to grow coca crops (CP+PP) and only the municipalities with coca crops in at least one year of our period of study (CP). Table 6 shows the results. In general, albeit an important increase of magnitude possible due to the bias introduced by the sample, the point estimate of the formality index for small holders remains negative and statistically significant for most of the regressions, confirming the robustness of our results. When we introduce all the municipalities, even those with *fiscal cadastral*, the main effect loss significants but the intereaction terms continues held our hyphotesis.

[Table 6 goes about here]

Third, in order to analyze whether our findings correspond to a general effect of institutional improvement in the area allocated to coca plantations in Colombian municipalities, we perform a placebo test. This test adapts the formalization index of land property rights to median sized land-holders. Table 7 shows the results. As expected, no significant effect is found for the point estimate of the formality index in all regressions, which once over confirms the robustness of our results.

[Table 7 goes about here]

Finally, we consider a dynamic specification which accounts for the persistence in the presence of coca plantations across years in Colombian municipalities. Table 8 presents the results. We report the pooled OLS and the fixed effect estimations (columns I and II) as benchmark; a consistent estimate for the dynamic component (i.e. the parameter associated with the lagged variable) should fall between the upper and lower bound determined by these two estimators respectively (Nickell, 1981; Bond, 2002), and should be smaller than one so that the dynamic process can converge. Furthermore, we check the validity of this approach through the Hansen test of overidentification restrictions (Hansen, 1982), the Difference-in-Hansen test (Newey, 1985), and autocorrelation tests (Arellano & Bond, 1991). Results of the tests prove a correct specification of the dynamic model. Despite that the main effect disseapear, the indirect effect through the interaction terms has the magnitude and the sing found in our baseline results, backing up our main findings.

[Table 8 goes about here]

6. Conclusions

This article provide empirical evidence on the influence of formalization of land property rights on the presence of illegal crops in Colombia. Despite the growing body of empirical and theoretical evidence on the positive effects

of well-defined land property rights, little is known about the importance of these crucial institutions on illicit behavior. This is particularly relevant in a context of a large scale war on drugs, like in Colombia, where the interaction between a persistent drug economy and a dual land property rights scheme has boosted the spread of illegal crops across the territory.

We used an unique panel data set spanning from 2000 to 2009, containing detailed information on coca crops, land titling, and the implementation of *Plan Colombia* policies. We exploit the temporal variation on the informality index in a sample of municipalities which had their first cadastral census between 1995 and 2000. During this period, Colombian Goverment launched a centralized initiative to increase the coverage and quality of the cadastral information, leading to a sample where the quality of the information is exogenous to local characteristics. Furthermore, this census was complemented with strategies to regularize land property rights, initiating different process that allowed scatters to claim for a formal title. Most of these process were solve during 2000 and 2007, leading a temporal variation under which our identification strategy is upheld. Nevertheless, since several bias might persist, we control for different sources of uonbservables variation.

We argue that, given the increase of the visibility of the state as a consequence of the implementation of *Plan Colombia*, the cost of growing coca rose due to risk of being caught. This cost was relatively higher in municipalities with high formality on land property rights, given the severe consequences of expropriation of assets. This mechanism is supported through our findings, where a reduction of 0.581 standard deviations of area allocated to coca fields per municipality is related to one standard deviation increase in the land formality index. Furthermore, as a consequence of the more formalized land rights, the well documented positive effects on investment, higher productivity, land market, and credit access, among others, create legal and sustainable alternatives for small peasants to use their land, increasing the expected income out of legal crops (direct effect). This agricultural portfolio choice would balance even more to legality when able to benefit from the alternative development programs of *Plan Colombia* (indirect effect). Our results support this second mechanism as well. Our results remain robust under different specification, sample and alternative explanations.

Our mechanisms are embedded in the framework on property rights, and consequently institutions in general. In this sense, our results are aligned with the positive effects of improved land institutions on development and growth, adding another positive effect to this growing list. More specific, this study contributes to the limited body of literature evaluating policies against coca cultivation, and we do consider our evidence relevant for these policy purposes.

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Tables and Figures

Table 1. Summary statistics

	Observations	Mean	Std. Deviation	Q25	Q50	Q90	Q99
Coca crops (ha)	2238	88.288	507.034	0.000	0.000	121.000	1529.000
Share of municipality area on coca fields	2238	0.001	0.004	0.000	0.000	0.001	0.013
Formality land property rights for small-holders ($\leq$20ha)	2234	0.827	0.197	0.780	0.905	0.978	1.000
Formality land property rights for median-holders (>20ha - $\leq$200ha)	2238	0.844	0.182	0.793	0.909	0.994	1.000
Rate Cadastral Areal (total)/Geographical Area	2238	0.974	0.284	0.908	0.969	1.099	2.345
Share of private cadastral area on small plots ($\leq$20ha)	2238	0.407	0.265	0.191	0.375	0.800	0.963
Aerial Spraying (ha)	2238	205.144	1029.102	0.000	0.000	0.000	6447.000
Manual coca erradication (ha)	2238	163.095	810.492	0.000	0.000	122.000	4487.000
Number of laboratories destroyed	2238	2.624	16.847	0.000	0.000	4.000	39.000
Seizure of coca leaves (kg)	2238	766.709	6198.039	0.000	0.000	380.000	15654.200
Forest Warden Families (yes=1)	2238	0.038	0.190	0.000	0.000	0.000	1.000
Alternative Productive Projects (yes=1)	2238	0.104	0.306	0.000	0.000	1.000	1.000
Land quality gini index	2238	0.691	0.107	0.624	0.698	0.828	0.903
Share of cadastral area on public land	2238	0.089	0.156	0.007	0.023	0.274	0.736
Share of cadastral area on indigenous	2238	0.027	0.118	0.000	0.000	0.013	0.806
Share of cadastral area on natural parks	2238	0.002	0.012	0.000	0.000	0.001	0.037
Longitude (in degrees)	2238	-74.580	1.431	-75.747	-74.394	-73.102	-72.574
Latitude (in degrees)	2238	5.393	2.049	4.190	5.692	7.651	10.812
Altitude (Height above mean sea level) (mts)	2238	1244.828	611.462	950.000	1382.000	1900.000	2475.000
Municipality area (ha)	2238	65437.064	1.75e+05	11400.000	24300.000	1.37e+05	1.32e+06

Notes - We include all the municipalities for which the cadastral information was formed between 1995 and 2000 and either have natural conditions to crop coca(i.e. altitude 500 to 2000 mts over sea) or ever had coca during that period. Data source: UNODC, 2013; IGAC, 2013; Antioquia Goverment, 2013.

TABLE 2. Difference between excluded municipalities and our sample.

	CP			CP+PP		
	Excluded	Our sample	Difference	Excluded	Our sample	Difference
Share of municipality area on coca fields	0.002	0.002	0.000	0.001	0.001	0.001***
	[1.299]	[0.194]	[0.000]	[3.796]	[0.000]	[0.000]
	(1519)	(804)		(2677)	(2234)	
Number of years with coca crops	6.396	5.644	0.752***	3.629	2.031	1.598***
	[4.884]	[0.000]	[0.154]	[14.541]	[0.000]	[0.110]
	(1519)	(804)		(2677)	(2234)	
Formality land property rights for small-holders (≤20ha)	0.575	0.713	-0.139***	0.677	0.827	-0.150***
	[-10.590]	[0.000]	[0.013]	[-19.925]	[0.000]	[0.008]
	(1519)	(804)		(2677)	(2234)	
Formality land property rights for median-holders (>20ha - ≤200ha)	0.598	0.743	-0.145***	0.694	0.844	-0.150***
	[-11.791]	[0.000]	[0.012]	[-21.062]	[0.000]	[0.007]
	(1519)	(804)		(2677)	(2234)	
Rate Cadastral Areal (total)/Geographical Area	0.795	0.967	-0.171***	0.884	0.974	-0.090***
	[-9.881]	[0.000]	[0.017]	[-8.325]	[0.000]	[0.011]
	(1519)	(804)		(2677)	(2234)	
Share of private cadastral area on small plots (≤20ha)	0.270	0.234	0.036***	0.343	0.407	-0.064***
	[3.516]	[0.000]	[0.010]	[-8.542]	[0.000]	[0.008]
	(1519)	(804)		(2677)	(2234)	
Aerial Spraying (ha)	533.453	565.409	-31.955	302.695	205.144	97.551**
	[-0.463]	[0.644]	[69.073]	[3.034]	[0.002]	[32.155]
	(1519)	(804)		(2677)	(2234)	
Manual coca erradication (ha)	459.283	409.597	49.686	263.990	163.095	100.896***
	[0.912]	[0.362]	[54.510]	[3.886]	[0.000]	[25.967]
	(1519)	(804)		(2677)	(2234)	
Number of laboratories destroyed	6.775	6.701	0.073	3.966	2.624	1.343**
	[0.069]	[0.945]	[1.061]	[2.750]	[0.006]	[0.488]
	(1519)	(804)		(2677)	(2234)	
Seizure of coca leaves (kg)	2157.826	1851.229	306.597	1255.369	766.709	488.660*
	[0.664]	[0.507]	[461.716]	[2.293]	[0.022]	[213.146]
	(1519)	(804)		(2677)	(2234)	
Land quality gini index	0.644	0.658	-0.014**	0.670	0.691	-0.022***
	[-2.609]	[0.009]	[0.005]	[-6.662]	[0.000]	[0.003]
	(1519)	(804)		(2677)	(2234)	
Share of cadastral area on public land	0.110	0.158	-0.048***	0.086	0.089	-0.003
	[-6.058]	[0.000]	[0.008]	[-0.608]	[0.543]	[0.004]
	(1519)	(804)		(2677)	(2234)	
Share of cadastral area on indigenous	0.139	0.038	0.101***	0.087	0.027	0.060***
	[9.954]	[0.000]	[0.010]	[11.533]	[0.000]	[0.005]
	(1519)	(804)		(2677)	(2234)	
Share of cadastral area on natural parks	0.010	0.003	0.007**	0.006	0.002	0.004***
	[0.072]	[0.017]	[0.003]	[0.054]	[0.012]	[0.001]
	(1519)	(804)		(2677)	(2234)	

Notes - Standard errors in brackets, number of observation in parenthesis. * Significant at 10%, ** significant at 5%, and *** significant at 1%. Two-side mean test significance reported. "CP" refers to the sample restricted to only coca produces (i.e. at least one year with coca), "PP" refers to the sample including potential coca producers (i.e. between 500 and 2000 meters over see). Data source: UNODC, 2013; IGAC, 2013; Antioquia Goverment, 2013.

TABLE 3. Different between excluded municipalities with characteristics 1995)

PANEL A

	Distance to Bogota (km)	Distance to Provincial Capital (km)	Altitude (Height above mean sea level) (mts)	Population (1993)
	(I)	(II)	(III)	(IV)
Cadastra Formation 1995-2010	-40.067**	168.733*	-32.132***	11389.639***
	[18.787]	[84.470]	[8.837]	[2559.591]
N	558	558	548	548
Adjusted R2	0.017	0.014	0.060	0.014

PANEL B

	Poverty (%) (1993)	Income Gini Index (1993)	School Attendance (1993)	Unsatisfied Basic Need -UBN- (1993)d
	(I)	(II)	(III)	(IV)
Cadastra Formation 1995-2010	-0.032*	0.002	-0.601	-13.034***
	[0.016]	[0.005]	[0.653]	[2.496]
N	533	530	558	558
Adjusted R2	0.014	0.002	0.110	0.014

PANEL C

	Rural population index (Rural/Urban) (1993)	Average Homicide Rate (by 100 person) (average 1990-2000)	Average Number of Displaced people (average 1990-2000)	Average Number of attacks to civilians (average 1990-2000)
	(I)	(II)	(III)	(IV)
Cadastra Formation 1995-2010	-1.321**	0.126**	19.093	-0.018
	[0.545]	[0.054]	[65.926]	[1.026]
N	547	558	558	558
Adjusted R2	0.022	0.019	-0.001	-0.002

PANEL D

	Average Number of massacres (average 1990-2000)	Presence of Agrarian Bank	Presence of High-School	Average public income per-capita (average 1990-2000)
	(I)	(II)	(III)	(IV)
Cadastra Formation 1995-2010	0.051	0.125	2.965*	0.023**
	[0.043]	[0.135]	[1.589]	[0.009]
N	558	558	558	558
Adjusted R2	0.006	0.000	0.005	0.025

PANEL E

	Indigenous communities (yes=1)	Afrocolombian communities (yes=1)	National Park (yes=1)	Forest Reserve (yes=1)
	(I)	(II)	(III)	(IV)
Cadastra Formation 1995-2010	-0.121**	-0.055	-0.063	-0.075***
	[0.053]	[0.052]	[0.047]	[0.023]
N	558	558	558	558
Adjusted R2	0.018	0.007	0.004	0.013

PANEL F

	Hectares allocated to coffee (1997)	Municipality area covered by natural forest (%)	Municipality area covered by crops (%)	Municipality area with human intervention (%)
	(I)	(II)	(III)	(IV)
Cadastra Formation 1995-2010	479.388***	-0.126***	0.022	0.008
	[126.545]	[0.038]	[0.023]	[0.021]
N	558	558	558	500
Adjusted R2	0.026	0.048	0.004	-0.002

TABLE 4. Land property rights and coca crops: Baseline results.

Dependent variable: Share of municipality area on coca fields

	(I)	(II)	(III)	(IV)	(V)	(VI)
Formality land property rights for small-holders ($\leq$20ha)	-0.491***	-0.576***	-0.577***	-0.574***	-0.575***	-0.581***
	[0.162]	[0.212]	[0.214]	[0.212]	[0.214]	[0.213]
Forest Warden Families (yes=1)		-0.285**	-0.278**	-0.283**	-0.276**	-0.276**
		[0.120]	[0.128]	[0.120]	[0.128]	[0.120]
Alternative Productive Projects (yes=1)		0.190	0.192	0.187	0.189	0.195
		[0.191]	[0.196]	[0.191]	[0.196]	[0.192]
Aerial Spraying (ha)		0.018	0.018	0.015	0.015	0.019
		[0.025]	[0.025]	[0.024]	[0.024]	[0.025]
Manual coca erradication (ha)		0.035	0.035	0.036	0.036	0.035
		[0.058]	[0.058]	[0.058]	[0.058]	[0.058]
Number of laboratories destroyed		0.073*	0.073*	0.079**	0.079**	0.076*
		[0.041]	[0.041]	[0.040]	[0.040]	[0.043]
Seizure of coca leaves (kg)		0.013	0.014	0.011	0.011	0.013
		[0.034]	[0.035]	[0.038]	[0.038]	[0.034]
Formality * Productive Projects * Forest Warden Families			0.023		0.024	
			[0.125]		[0.124]	
Formality * Aerial and Manual erradication * Laboratories * Seizure of coca leav				-0.001**	-0.001**	
				[0.001]	[0.001]	
Formality * all policies						-0.023**
						[0.011]
Observations	2234	2234	2234	2234	2234	2234
Municipalities	270	270	270	270	270	270
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Coca Region-year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Additional Controls	No	No	No	No	No	No

Notes - * Significant at 10%, ** significant at 5%, and *** significant at 1%. * Significant at 10%, ** significant at 5%, and *** significant at 1%. Robust standard errors in brackets, clustered by municipality and by department-year. Variable not shown included the updating cadastral dummy. Sample is composed by all the municipalities that had coca crops (i.e. at least one year) between 2000-2009 and had their first census plot between 1995 and 2000. Data source: UNODC, 2013; IGAC, 2013; Antioquia Goverment, 2013. All variables were standardized to have mean zero and standard deviation one.

TABLE 5. Land property rights and coca crops: Baseline results including extra controls.

Dependent variable: Share of municipality area on coca fields

	(1)	(II)	(III)	(IV)	(V)	(VI)
Formality land property rights for small-holders (≤20ha)	-0.529***	-0.608**	-0.611**	-0.606**	-0.608**	-0.613**
	[0.190]	[0.241]	[0.245]	[0.241]	[0.245]	[0.242]
Change on coca crops around 25km	0.010	0.004	0.005	0.004	0.004	0.004
	[0.029]	[0.034]	[0.034]	[0.034]	[0.034]	[0.034]
Change on coca crops around 50km	0.002	0.001	0.001	0.001	0.001	0.001
	[0.004]	[0.004]	[0.004]	[0.004]	[0.004]	[0.034]
Change on coca crops around 100km	0.000	0.001	0.001	0.001	0.001	0.001
	[0.003]	[0.003]	[0.003]	[0.004]	[0.004]	[0.004]
Forest Warden Families (yes=1)		-0.284**	-0.270**	-0.282**	-0.267**	-0.275**
		[0.122]	[0.129]	[0.122]	[0.129]	[0.121]
Alternative Productive Projects (yes=1)		0.183	0.187	0.180	0.185	0.189
		[0.186]	[0.192]	[0.185]	[0.192]	[0.187]
Aerial Spraying (ha)		0.018	0.018	0.014	0.014	0.019
		[0.025]	[0.025]	[0.025]	[0.025]	[0.025]
Manual coca erradication (ha)		0.036	0.036	0.037	0.037	0.035
		[0.058]	[0.058]	[0.058]	[0.058]	[0.025]
Number of laboratories destroyed		0.072*	0.072*	0.079**	0.079**	0.075*
		[0.039]	[0.039]	[0.038]	[0.039]	[0.058]
Seizure of coca leaves (kg)		0.011	0.011	0.009	0.009	0.011
		[0.034]	[0.034]	[0.037]	[0.037]	[0.041]
Formality * Productive Projects * Forest Warden Families					0.047	0.047
					[0.037]	[0.037]
Formality * Aerial and Manual erradication * Laboratories * Seizure of coca leav			0.046			
			[0.141]			
Formality * all policies				-0.001*	-0.001	-0.024**
				[0.001]	[0.001]	[0.012]
Observations	2234	2234	2234	2234	2234	2234
Municipalities	270	270	270	270	270	270
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Coca Region-year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Additional Controls	Yes	Yes	Yes	Yes	Yes	Yes

Notes - * Significant at 10%, ** significant at 5%, and *** significant at 1%. Robust standard errors in brackets, clustered by municipality and by department-year. Variable not shown included the updating cadastral dummy. Additional controls include: (i) Land quality gini index, (ii) Share of cadastral area on public land, (iii) Share of cadastral area on indigenous, (iv) Share of cadastral area on natural parks. Sample is composed by all the municipalities that had coca crops (i.e. at least one year) between 2000-2009 and had their first census plot between 1995 and 2000. Data source: UNODC, 2013; IGAC, 2013; Antioquia Government, 2013. All variables were standardized to have mean zero and standard deviation one.

TABLE 6. Robustness Check: Using different samples.

Dependent variable: Share of municipality area on coca fields

	Baseline Sample		Cadastral from 1990		Cadastral from 1970		Only updated municipalities		All municipalities	
	CP	CP+PP	CP	CP+PP	CP	CP+PP	CP	CP+PP	CP	CP+PP
Formality land property rights for small-holders (≤20ha)	-0.595***	-0.581***	-5.798**	-4.867**	-4.960*	-3.390**	-0.425***	-0.182*	-1.728	-1.162
	[0.197]	[0.212]	[2.711]	[2.463]	[2.580]	[2.080]	[0.156]	[0.099]	[1.342]	[0.893]
Forest Warden Families (yes=1)	-0.393**	-0.276**	-0.225	-0.148	-0.210	-0.205	-0.222	-0.244	-0.187	-0.196
	[0.176]	[0.120]	[0.186]	[0.162]	[0.186]	[0.162]	[0.195]	[0.181]	[0.197]	[0.156]
Alternative Productive Projects (yes=1)	0.364	0.195	0.400	0.425*	0.379	0.300	-0.033	-0.004	0.344*	0.272*
	[0.372]	[0.192]	[0.258]	[0.234]	[0.252]	[0.200]	[0.139]	[0.063]	[0.195]	[0.148]
Aerial Spraying (ha)	0.023	0.019	0.026	0.026	0.021	0.020	0.043	0.043*	0.007	0.009
	[0.025]	[0.025]	[0.034]	[0.031]	[0.032]	[0.027]	[0.030]	[0.026]	[0.022]	[0.020]
Manual coca eradication (ha)	0.035	0.035	0.038	0.034	0.019	0.014	-0.009	-0.008	0.010	0.007
	[0.063]	[0.057]	[0.042]	[0.037]	[0.036]	[0.032]	[0.019]	[0.015]	[0.028]	[0.026]
Number of laboratories destroyed	0.067*	0.076*	0.174*	0.168**	0.165**	0.159**	0.101*	0.079*	0.131*	0.129**
	[0.042]	[0.043]	[0.090]	[0.079]	[0.082]	[0.072]	[0.056]	[0.043]	[0.067]	[0.066]
Seizure of coca leaves (kg)	0.004	0.013	-0.053	-0.030	-0.037	-0.002	-0.096**	-0.067*	0.017	0.027
	[0.039]	[0.034]	[0.170]	[0.144]	[0.153]	[0.118]	[0.042]	[0.036]	[0.082]	[0.068]
Formality * all policies	-0.021*	-0.023**	-0.044	-0.047	-0.046	-0.047	-0.009***	-0.011***	-0.002**	-0.002**
	[0.012]	[0.011]	[0.043]	[0.037]	[0.039]	[0.033]	[0.003]	[0.002]	[0.001]	[0.001]
Observations	804	2234	1616	4014	1726	4214	476	1278	2331	4923
Municipalities	100	270	183	451	194	471	146	382	266	560
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Coca Region-year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Additional Controls	No	No	No	No	No	No	No	No	No	No

Notes - * Significant at 10%, ** significant at 5%, and *** significant at 1%. Robust standard errors in brackets, clustered by municipality and by department-year. "CP" refers to the sample restricted to only coca producers (i.e. at least one year with coca), "PP" refers to the sample including potential coca producers (i.e. between 500 and 2000 meters over see). *Baseline Sample*: All the municipalities that had their first census plot between 1995 and 2000. *Cadastral from 1990*: All the municipalities that had either first census plot or updating process after 1990. *Cadastral from 1970*: All the municipalities that had either first census plot or updating process after 1970. *Only updated municipalities*: All the municipalities whom cadastral information is updated (i.e. at least five years after the last census plot). Variable not shown included the updating cadastral dummy. *All municipalities*: All Colombian municipalities were considered, with any cadastral formation. Variable not shown included the updating cadastral dummy. Additional controls include: (i) Land quality gini index, (ii) Share of cadastral area on public land, (iii) Share of cadastral area on indigenous, (iv) Share of cadastral area on natural parks. Sample is composed by Data source: UNODC, 2013; IGAC, 2013; Antioquia Goverment, 2013. All variables were standardized to have mean zero and standard deviation one.

TABLE 7. Robustness Check: falsification test.

Dependent variable: Share of municipality area on coca fields

|	(I)	(II)	(III)	(IV)	(V)	(VI)
Formality land property rights for large-holders (≥20ha)	-0.066 [0.052]	-0.071 [0.051]	-0.071 [0.051]	-0.072 [0.051]	-0.072 [0.050]	-0.071 [0.051]
Forest Warden Families (yes=1)		-0.326** [0.141]	-0.323** [0.134]	-0.324** [0.140]	-0.321** [0.134]	-0.315** [0.141]
Alternative Productive Projects (yes=1)		0.126 [0.173]	0.121 [0.173]	0.123 [0.173]	0.118 [0.173]	0.129 [0.175]
Aerial Spraying (ha)		0.017 [0.025]	0.016 [0.025]	0.013 [0.024]	0.012 [0.025]	0.017 [0.025]
Manual coca erradication (ha)		0.035 [0.058]	0.035 [0.058]	0.036 [0.058]	0.036 [0.058]	0.036 [0.058]
Number of laboratories destroyed		0.073* [0.041]	0.074* [0.041]	0.078** [0.040]	0.079** [0.040]	0.075* [0.043]
Seizure of coca leaves (kg)		0.012 [0.034]	0.011 [0.035]	0.009 [0.037]	0.008 [0.038]	0.012 [0.034]
Formality * Productive Projects * Forest Warden Families			0.236 [0.175]		0.241 [0.175]	
Formality * Aerial and Manual erradication * Laboratories * Seizure of coca leav				-0.002* [0.001]	-0.002* [0.001]	
Formality * all policies						-0.085 [0.066]
Observations	1810	1810	1810	1810	1810	1810
Municipalities	270	270	270	270	270	270
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Coca Region-year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yess
Additional Controls	No	No	No	No	No	No

Notes - * Significant at 10%, ** significant at 5%, and *** significant at 1%. Robust standard errors in brackets, clustered by municipality and by department-year. Variable not shown included the updating cadastral dummy. Additional controls include: (i) Land quality gini index, (ii) Share of cadastral area on public land, (iii) Share of cadastral area on indigenous, (iv) Share of cadastral area on natural parks. Sample is composed by all the municipalities that had coca crops (i.e. at least one year) between 2000-2009 and had their first census plot between 1995 and 2000. Data source: UNODC, 2013; IGAC, 2013; Antioquia Government, 2013. All variables were standardized to have mean zero and standard deviation one.e.

TABLE 8. Robustness Check: Dynamic specification

Dependent variable: Share of municipality area on coca fields

|	Pooled OLS	OLS FE	System GMM					
			(I)	(II)	(III)	(IV)	(V)	(VI)
L.Share of municipality area on coca fields	1.059*** [0.147]	0.902*** [0.246]	1.110*** [0.124]	1.033*** [0.139]	1.033*** [0.139]	1.032*** [0.139]	1.032*** [0.139]	1.031*** [0.138]
Formality land property rights for small-holders (≤20ha)	0.018 [0.030]	0.282* [0.150]	0.027 [0.026]	0.025 [0.026]	0.025 [0.025]	0.028 [0.026]	0.028 [0.026]	0.026 [0.026]
Forest Warden Families (yes=1)				-0.079* [0.042]	-0.067 [0.047]	-0.072* [0.043]	-0.060 [0.048]	-0.070* [0.042]
Alternative Productive Projects (yes=1)				0.117* [0.067]	0.121* [0.070]	0.111* [0.066]	0.114 [0.069]	0.120* [0.067]
Aerial Spraying (ha)				-0.006 [0.018]	-0.006 [0.018]	-0.011 [0.018]	-0.011 [0.018]	-0.005 [0.018]
Manual coca erradication (ha)				-0.002 [0.021]	-0.002 [0.021]	-0.002 [0.022]	-0.002 [0.022]	-0.002 [0.021]
Number of laboratories destroyed				0.000 [0.021]	-0.000 [0.021]	0.008 [0.021]	0.008 [0.021]	0.003 [0.023]
Seizure of coca leaves (kg)				0.021 [0.014]	0.021 [0.014]	0.018 [0.016]	0.019 [0.016]	0.020 [0.015]
Formality * Productive Projects * Forest Warden Families					0.042 [0.052]		0.039 [0.051]	
Formality * Aerial and Manual erradication * Laboratories * Seizure of coca leav						-0.002*** [0.000]	-0.002** [0.000]	
Formality * all policies								-0.020** [0.008]
No. of observations	1965	1965	1965	1965	1965	1965	1965	1965
No. of groups		270	270	270	270	270	270	270
No. of instruments			19	28	29	29	30	29
F test			(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Arellano-Bond test for AR(1)			(0.101)	(0.108)	(0.108)	(0.107)	(0.107)	(0.110)
Arellano-Bond test for AR(2)			(0.262)	(0.265)	(0.264)	(0.244)	(0.243)	(0.269)
Hansen J test of overidentifying restrictions			(0.107)	(0.113)	(0.113)	(0.131)	(0.131)	(0.114)
Difference-in-Hansen test			(0.098)	(0.115)	(0.114)	(0.092)	(0.091)	(0.110)

Notes - * Significant at 10%, ** significant at 5%, and *** significant at 1%. * Significant at 10%, ** significant at 5%, and *** significant at 1%. Standard errors are in brackets, p-values in parentheses. Sample is composed by all the municipalities that had their first census plot between 1995 and 2000. Two step System GMM is implemented. We use the forward orthogonal deviations proposed by Arellano and Bover (1995). The Windmeijer (2005) finite sample correction for standard errors is employed. We use two lags instruments in the collapsed instrument matrix. The time-invariant controls include: Altitude, longitude and latitude. The Hansen J-test reports the p-values for the null hypothesis of instrument validity. The values reported for the Diff-in-Hansen test are the p-values for the validity of the additional moment restriction necessary for system GMM. The values reported for AR(1) and AR(2) are the p-values for first and second order autocorrelated disturbances in the first differences equations. All variables were standardized to have mean zero and standard deviation one.

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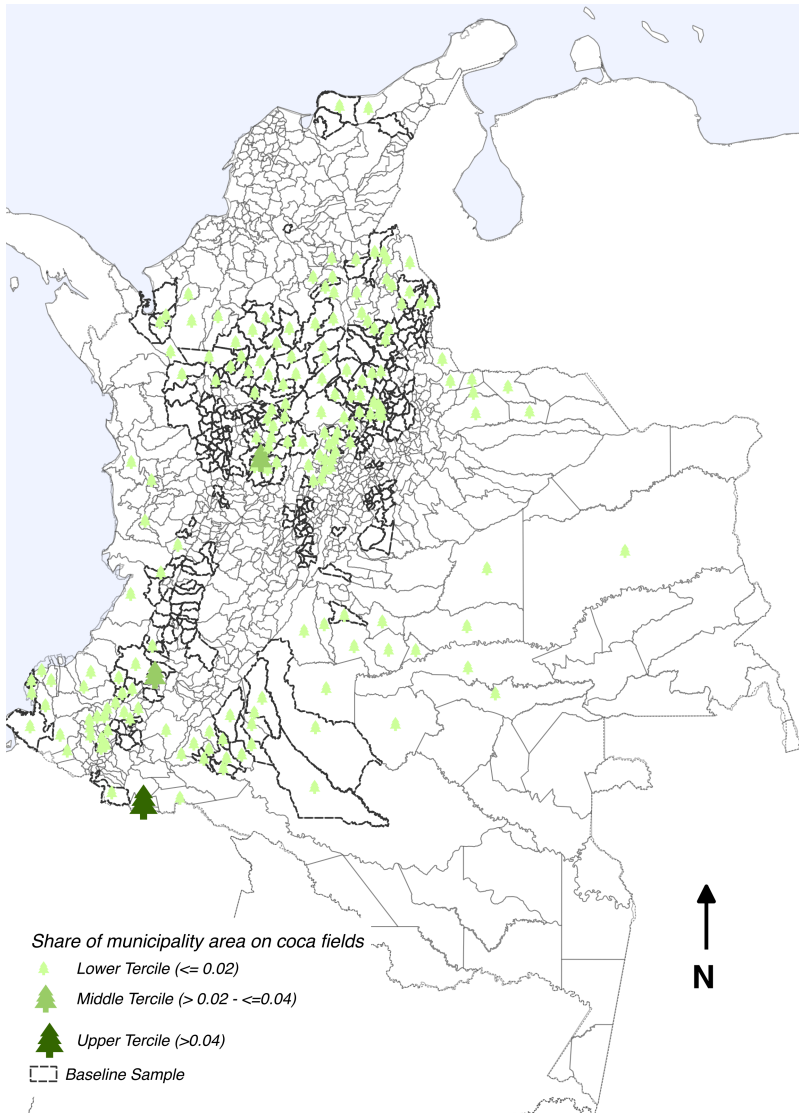
GRAPH 1. First Plot Census: Cadastral formation
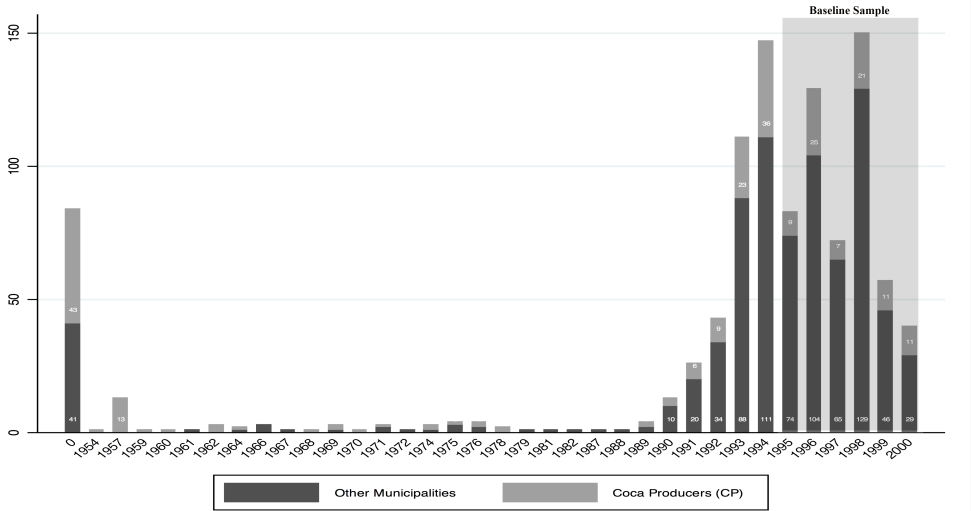
Notes– We include all the municipalities that either have natural conditions to crop coca(i.e. altitude 500 to 2000 mts over sea) or ever had coca during that period. Data source: IGAC, 2013; Antioquia Goverment, 2013.

GRAPH 2. Kernel distribution for the Formality Land Property Rights for small-holders ($\leq 20ha$) in 2000 and 2009.
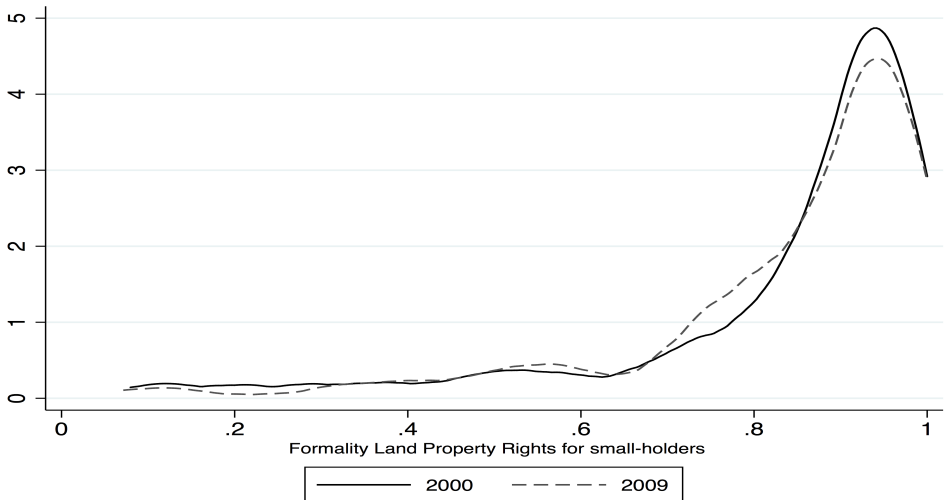
Notes– We include all the municipalities for which the cadastral information was formed between 1995 and 2000 and either have natural conditions to crop coca(i.e. altitude 500 to 2000 mts over sea) or ever had coca during that period.. Two-sample Kolmogorov-Smirnov test [p-value= 0.640].Data source: IGAC, 2013; Antioquia Goverment, 2013.

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GRAPH 3. Spatial distribution for the average share of municipality area on coca fields over 2000-2009.

Share of municipality area on coca fields
- Lower Tercile (<= 0.02)
- Middle Tercile (> 0.02 - <=0.04)
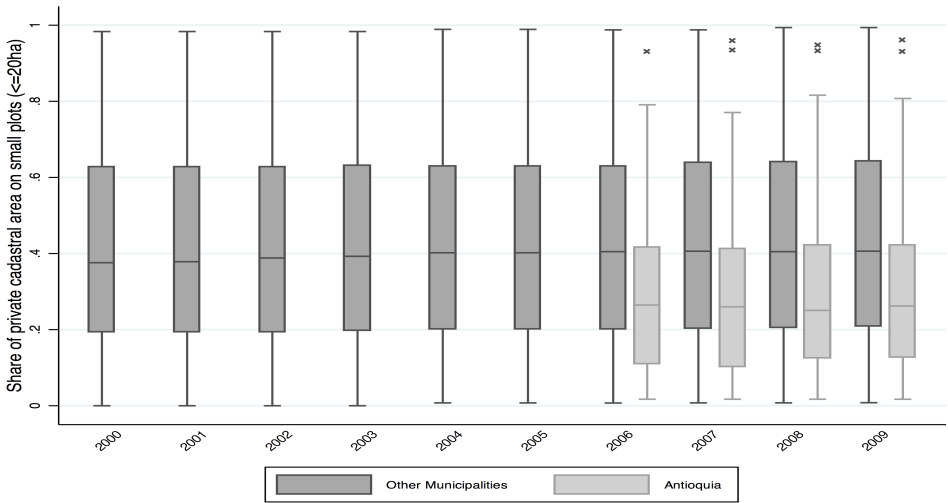- Upper Tercile (>0.04)
- Baseline Sample

N

Notes– Mean= 0.05%; Std Dev=.296. The map includes all Colombian municipalities. The baseline sample refers to all the municipalities that fulfill three conditions: (i) had their first census plot between 1995 and 2000 and had Coca crops (i.e. at least one year) between 2000-2009; (ii) had their first census plot between 1995 and 2000 and are naturally prone to have coca crops (i.e. between 500 and 2000 meters over see). Data source: UNODC, 2013; IGAC, 2013; Antioquia Goverment, 2013.

GRAPH 4. Spatial distribution for the number of years with coca fields over 2000-2009.
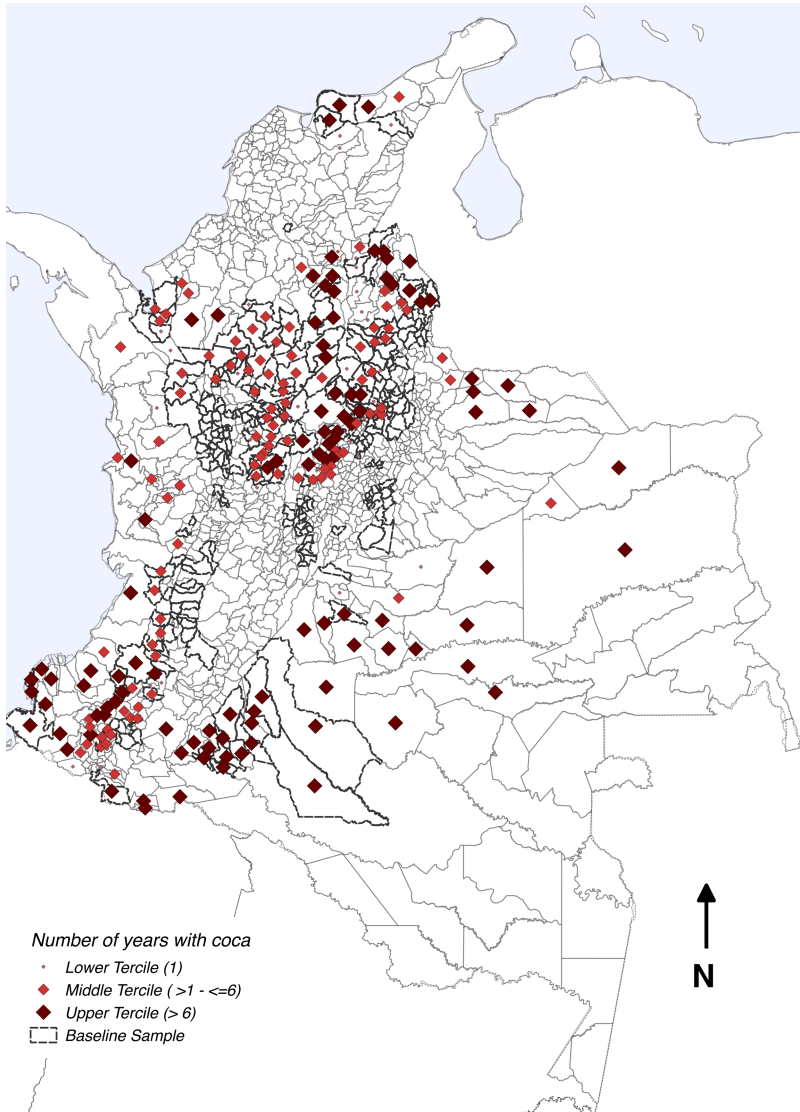
Notes– Mean= 1.592 ; Std Dev=3.179. The map includes all Colombian municipalities. The baseline sample refers to all the municipalities that fulfill three conditions: (i) had their first census plot between 1995 and 2000 and had Coca crops (i.e. at least one year) between 2000-2009; (ii) had their first census plot between 1995 and 2000 and are naturally prone to have coca crops (i.e. between 500 and 2000 meters over see). Data source: UNODC, 2013; IGAC, 2013; Antioquia Goverment, 2013.

GRAPH 5. Temporal distribution of the share private cadastral area on small plots (≥20ha) .