



A case study of the FARC peace agreement impact on land markets in Caquetá, Colombia



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INTRODUCTION

- **How do peace agreements influence land markets in post-conflict zones?** Despite extensive research on armed conflict, little is known about the effects of peace agreements on land transactions. This study addresses that gap by exploring rural land markets in Caquetá, Colombia, following the FARC peace agreement.
- While there is extensive literature on armed conflict, evidence on the effects of peace agreements on post-conflict land transactions remains limited.
- This research pioneers the use of **Certificates of Tradition and Liberty (CTL)**, legal documents that compile agricultural land transaction data.
- Caquetá is a department historically affected by the armed conflict, which is a determinant of extensive cattle ranching as an economic activity in the region.

OBJECTIVES AND METHODOLOGY

- Spatial data of 140 cattle ranches in Caquetá, Colombia
- We also utilize public spatial data on conflict cases from the Observatorio de Memoria y Conflicto.
- **Identification strategy:** We determined the treatment group as the farms closest to conflict cases (Figure 1).
- **CTL:** Transaction information throughout the history of each of the farms.
- We employed a **difference-in-difference** estimation, a method that compares trends in land transactions before and after the peace agreement, between conflict-affected and non-affected areas.

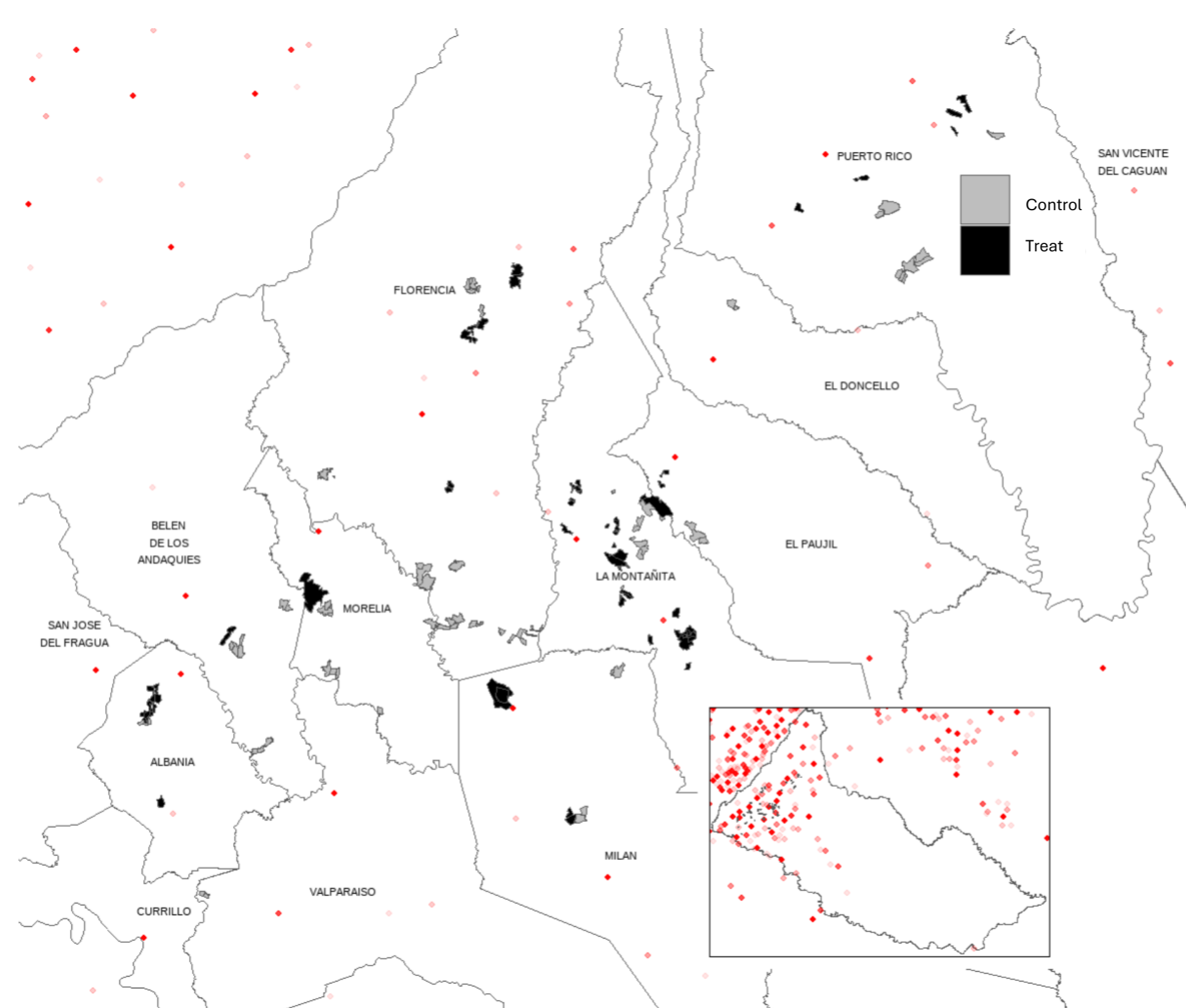


Figure 1. Farms' spatial distribution within the Caquetá department

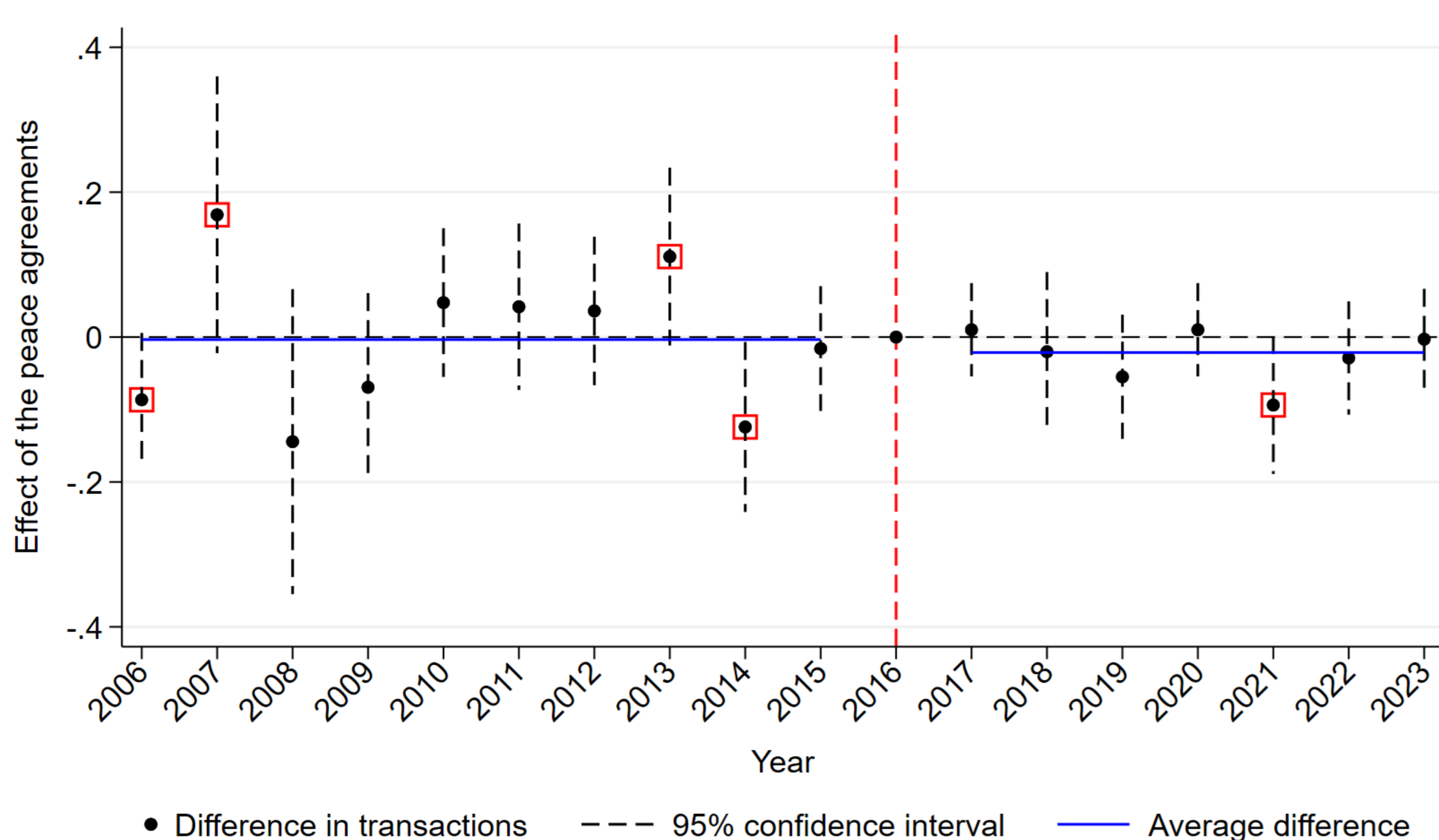


Figure 2. Differences in transactions for the control and treatment groups by year.



RESULTS

Main Results

- The assumption of parallel trends is fulfilled, in the pre-period there are no significant differences between the treatment and control groups, and in the post period the average difference increases (Figure 2).
- The signing of the peace agreements decreases the number of transactions of the agricultural land closest to the conflict by -0.02, relative to the average this is a decrease of 40% (Table 1).
- Our results are robust, when we replicate the estimation for the cases of conflict caused by other armed groups or when we apply placebos, since we do not find significant results.

	Transactions
DiD	-0.0239* (0.0130)
Observations	8,400
R2	0.0320
Mean var. Dep.	0.0530
FE village	Yes
FE year-president	Yes
Ind. controls	Yes

Table 1. Effects of the peace agreements signing on transactions. Difference in difference estimation.

Mechanism

- The peace agreements reduce perceived land uncertainty and insecurity.
- Qualitative evidence suggests that after the peace agreements, cattle ranchers are less inclined to sell their land and more likely to make productive investments.

'Yes, it has changed, and as far back as I can remember, I was in the time when, after six in the evening, there was a curfew; anyone moving around on the roads was a military target. We were very confined, I don't know. And, well, nowadays, after the whole issue with Juan Manuel Santos and the peace process, let's say that the region has grown economically a lot, from what I have observed. How does one notice? By the same way investors were arriving. They were getting to know tourist spots in Caquetá.'

- Qualitative and quantitative evidence suggests that farms closer to the conflict are now selling at higher prices.
- Evidence of how the end of the conflict has a greater effect where social order was determined by territorial disputes.

CONCLUSIONS

- The signing of the peace accords produces a decrease in agricultural land transactions of farms closer to the armed conflict.
- The mechanism by which transactions decrease is due to the reduction of uncertainty and the recovery of land tenure security.
- Through the CTLs we study the legal land market, however, in developing countries, non-legal land is predominant, therefore, the overall effect on the land market is unknown.
- Our findings suggest that post-conflict areas may experience reduced land market activity due to increased land tenure security. This has important implications for policymakers seeking to stabilize rural economies in post-conflict regions.