



**Social and economic impacts of land titling
programmes in urban and peri-urban areas:
International experience and case studies of
Senegal and South Africa**

Preface and Executive Summary

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Preface

During the World Bank 2005 Urban Research Symposium, several participants expressed the view that although increasing interest was being expressed on the subject of land titling and the formalisation of land tenure systems as a means of reducing urban poverty, the empirical evidence to justify such policies was inadequate and often conflicting.

Subsequent discussions resulted in the formation of an email discussion forum (based at forum@landtitling.net) to encourage the exchange of information and ideas on land titling. The response to this encouraged the present authors to draft a proposal to undertake an independent and objective impact assessment of the social and economic outcomes of land titling programmes in urban and peri-urban areas. A two stage proposal was later developed, of which Stage 1 involved a desk review of the literature and Stage 2 involved case studies of selected case studies in different countries, together with a synthesis comparing the outcomes and drawing conclusions to inform tenure policy for international donors and national governments. An Advisory Group, consisting of leading professionals involved in issues relating to urban land tenure and titling programmes, was formed to advise the project team.

Thanks to funding from the Government of Norway, Stage 1 of the project was launched at the World Urban Forum conference in Vancouver, Canada in June 2006. Since then, materials have been exchanged between team members and a draft report was presented at an international workshop held at Charney Manor, Oxfordshire UK in December 2006. The review was revised and updated following feedback from a number of colleagues and discussions at the workshop. The full version of the literature review was posted on www.gpa.org.uk in April 2007 and an edited version was presented at the 2007 World Bank Urban Research Symposium (www.worldbank.org/urban/symposium2007). A further version was later published in Brøther and Solberg (eds) (2007).

Discussions with a range of potential funders continued throughout 2006 and early 2007 to seek funds to undertake detailed case studies with local researchers of completed or advanced land titling programmes in Africa, Asia and Latin America. In the event, funds were obtained to undertake two case studies in Africa and it was decided to select Senegal and South Africa as two representative examples. They also had the advantage of enabling the project to assess impacts in both an Anglophone and a Francophone country, with the different legal, institutional and cultural traditions they reflect. Local research partners were identified and detailed discussions held to ensure compatibility of the project objectives with local conditions and detailed proposals and budgets were prepared. With funding secured in 2007, contracts were agreed between the funding agencies and Geoffrey Payne and Associates (GPA) and between GPA and the local research teams. Work in each country commenced in earnest in late June and was completed in December 2007. Following this, the project team edited and compared the case study reports and prepared the current draft synthesis report.

Once feedback on the draft report has been obtained and incorporated, the final report will be completed and forwarded to all funding agencies, posted on relevant websites and circulated to other interested groups. In particular, it is hoped that the project will contribute to the ongoing work programme of the UN-Habitat Global Land Tools Network. It is also intended to contribute to the final report of the Commission on Legal Empowerment of the Poor, and other initiatives being implemented as part of the global effort to achieve and surpass the objectives of the Millennium Development Goals in improving living conditions for the urban poor and reducing future slum formation.

Executive summary

Project context and objectives

This research project began at a time when home ownership was widely accepted as the most effective means of improving one's position in the world and building successful economies. As the project comes to an end, the situation is very different. Excessive mortgage lending in the USA to people with limited assets or incomes is now in danger of triggering a global recession.

It is in this context that the study seeks to assess the social and economic impacts of land titling and home ownership programmes in urban and peri-urban areas of developing countries. These programmes have been widely promoted by governments and international agencies for the last two decades, despite limited empirical evidence of their benefits/impacts. This project therefore seeks to fill that gap.

Following a desk review of the literature undertaken in Stage 1, case studies were undertaken in Stage 2 during 2007 of land titling programmes in Senegal and South Africa, thanks to funding from the Ministry of Foreign Affairs, Government of Norway, the Swedish International Cooperation Agency (Sida) and the Global Land Tool Network at UN-Habitat. This report summarises the findings of the literature review and the two case studies. It is structured in three parts: Part 1 summarises project objectives; Part 2 the research findings; and Part 3 offers some conclusions and policy implications. The full case study reports can be found in appendices to the report. Whilst funding was only available for fieldwork in two African countries, the case studies selected cover both Anglophone and Francophone countries and relatively developed and undeveloped economies. The Senegal titling programme began in 1987 and the South African programme in 1994, so both also provide sufficient information on which to assess short and medium term impacts.

The study seeks to address the following key issues:

- What are the social and economic outcomes and impacts of titling programmes? Who has benefited?
- To what extent have titling programmes increased tenure security for all affected groups?
- Has titling improved access to formal credit? By whom? From which sources?
- Has titling led to increased investment in housing and/or infrastructure? By whom?
- Has titling led to improved the economic status of poor households? To what extent and through what channels?
- How adequately has the administration system coped with ongoing transfers of land and property?

In addition, case studies were selected to:

- Assess the impacts titling has had on urban land markets, including the frequency and cost of transactions and prices.
- Indicate access to land and patterns of development
- Focus on the urban scale, though impacts at community/neighbourhood level will also be assessed where information can be obtained.

Research methodology

Data on urban land and housing markets in developing countries is invariably limited, unavailable, outdated or inconsistent between cities and countries. Similar constraints to research also apply in the case of specific policy instruments, such as land titling programmes. Even where the data are available, they rarely deal with the key outcomes and impacts. Therefore, although the city case studies drew on secondary data where possible, primary data collection was essential in both cases.

One of the most challenging methodological issues in assessing the impacts of a particular policy intervention is the question of attribution. In this instance, the question is the extent to which changes in the social and economic characteristics of those affected can be attributed to titling. Ideally, there should be a before-and-after study of both beneficiaries of titling and a control group with similar socio-economic characteristics at the outset.

Comparative studies within cities can help overcome the problems through the selection of study areas in which key factors can be held constant. The availability of baseline data on an area and its occupants will influence the choice of case studies. It was therefore decided to examine the outcomes and impacts for various social groups, differentiating according to appropriate local dimensions of social difference (e.g. income, ethnicity, religion, caste, gender, political affiliation, age), distinguishing between households and individuals (especially male heads, their spouses and female household heads). The selection of respondents was thus critical and included where possible original and current owners, original and current tenants.

A common research methodology was used in each location, in order to maximise comparability, but this was adapted in consultation with the country research teams to suit local conditions, especially existing data availability. Fieldwork involved a combination of quantitative and qualitative methods, as experience has shown that this provides the most effective way of gaining the necessary understanding of complex and dynamic policy outcomes.

The complementary data collection tools used included analysis of secondary data, stakeholder analysis, key informant interviews, a questionnaire survey, in-depth household interviews, maps and photographs.

A final consideration was that the research was to be undertaken in a relatively short timeframe in order to contribute to the ongoing activities of the Global Land Tools Network and the Commission on the Legal Empowerment of the Poor.

Findings on tenure security

Evidence from both the Senegal and South Africa case studies confirms that there whilst there are substantive differences between formal, informal and customary tenure categories, perceptions are important in determining tenure security. The surveys revealed that residents in most informal settlements in both case study countries already enjoy *de facto* tenure security. However, titling has had a very positive impact on increasing tenure security for women by specifying them on ownership records. The situation for tenants is less positive in that rents in the Senegal case increased sharply as newly regularised shack owners transferred onto them the costs of tenure regularisation and physical upgrading.

The Senegal case study found that a significant percentage of households entitled to regularisation have not yet completed the process of registering their rights. This suggests that at least some households consider that the option to commence the titling process is sufficient to realise an adequate level of tenure security and that finalising the process can be delayed indefinitely, especially if completion exposes them to additional unnecessary expenditure.

Investment in housing

One indication of tenure security is taken to be the degree to which residents are willing to invest in home and environmental improvements. The superior tendency of land titling to stimulate investment in housing and property development has been advanced as a key factor in the promotion of titling rather than other forms of tenure. However, evidence of a link between titles and investment in house improvements is not always clear, either because titles are allocated as part of a general upgrading of a settlement, differences between titled and untitled settlements are unclear, or the location of a settlement influences behaviour.

Surveys indicated that it may be the *perception* of security and relative benefits of increased property rights which exerts a greater degree of influence over levels of investment and other benefits than titles *per se*. Of the households that made investments to their property, 70% said that they would have done the improvements even if they had not received the new land title.

The surveys in Dakar indicate that tenure regularisation had an impact on improvements and extensions of houses by beneficiary households. The most visible changes can be observed in Dalifort, the first settlement to be regularised, over the last two decades. In 1987, before tenure regularisation, 90% of the dwelling units were shacks built in non-permanent materials. In 2000 after regularisation, 48% of the houses consisted of permanent building materials (GERPES, 2000), a level which increased to 68% in 2007. Titles, or the anticipation of receiving them, have therefore clearly stimulated investment in housing, though high proportions of households in informal settlements have also invested in improvements when they considered themselves secure. When probed, most households in both titled and untitled settlements who had not invested in their homes claimed that the reason was a lack of finance.

Access to formal credit

The ability to use property titles as collateral in accessing formal credit is widely considered as a key reason for selecting land titling over other tenure options and this issue has correspondingly received a considerable attention in the literature. Despite ambitious claims, there is no evidence in the published sources or the case studies that titles increase the likelihood of receiving credit from private sector banks or that banks are not using property titles to secure loans. The main reason was that households feared losing their prime asset – their property, whilst the banks usually ask for a bank guarantee provided by another person, or ask the borrower to provide evidence that he or she has a regular income before offering a loan.

Both the literature and the case studies reveal that the lending institutions have not adapted their practices to the needs and economic situation of regularised low-income families in terms of loan conditions, procedures, guarantees and repayment facilities. Accordingly, most low-income households finance investments through savings or loans from friends or extended family, or informal credit sources. Whilst such loans are more expensive, they are more flexible and easier to access, but usually not sufficient to impact significantly on property investment. In sum, the results show that people generally try to avoid debt and would be unwilling to

jeopardise their main asset by mortgaging it. The main finding is that very few of the households in any of the case study settlements have taken out loans, including bank loans. Although the most common purpose of taking out a bank loan is house improvement, this applies to very few households even in the titled areas. The proportion of households who have taken out loans to develop businesses is tiny, and none have used their houses as collateral.

Municipal government revenues

The integration of informal settlements into the formal urban land and housing market is widely held to increase the potential for local governments to raise revenue from property taxes as well as fees for land registration, transfer, capital gains and inheritance. This can then be used to finance the provision of improved services and create a virtuous circle of improved local governance and competence. However, the issue is complicated by the fact that taxes and other charges may be collected by one agency or authority, while benefits, such as improved services, may be provided by others.

In cases where property values rise substantially following titling and property values are reassessed to reflect the increase, taxes based on such values will theoretically generate correspondingly large revenues. However, this places heavy demands on newly titled households, whose incomes may remain low and/or irregular. In such cases, paying taxes proves to be so difficult that it can result in the selling of their property by the poorest beneficiary families as is reported in South Africa. Conversely, if taxes and charges are set according to affordability levels, the consequent net increase in revenues may be small and possibly even smaller than the costs of collection.

Financial benefits of tenure regularisation for local authorities in Senegal are expected to derive mainly from the payment, at a later stage of the titling process, from real estate tax ("*taxes sur le foncier bâti*"), and the tax on property transaction. So far, revenues from taxation following tenure regularisation are so modest as to be insignificant. In South Africa, indigent households can make use of lower tariffs for a range of municipal services and the municipal council's tariff strategy has meant that it effectively writes off significant amounts each financial year, so that any increases in revenue are more than offset by the subsidies. As a result, the impact of the provision of real property rights on municipal government revenues was found to be limited in both countries. Furthermore, property taxes, stamp duty and other charges have been held to discourage many households from completing the tenure formalisation process.

Impacts on economic development for poverty reduction

The literature records minimal evidence of land titling generating an increase in household incomes or employment status. However, the surveys in South Africa found that holding a title deed made household heads feel more empowered to defend their ownership claims and rights to the land. In informal settlement contexts, the ability to defend claims is predicated on the strength and dynamics of social networks. These dynamics could be beneficent and efficient, highly exploitative, or both. However, in informal settlement contexts there is little recourse to agents or authorities outside the social networks within the settlement. Social networks may or may not be as important in formalised settlements, but there is the opportunity to appeal to external agents or authorities when property claims are contested and therefore households' vulnerability to arbitrary eviction and loss of property is reduced. This is perceived to be one of the most powerful benefits of possessing a title deed, despite the fact that 91.1% of the respondents stated that they had never actually used their title deed for such a purpose.

Information collected during the survey on residential mobility in Dakar suggests that the economic impact of tenure regularisation is limited and barely measurable. Many families are so poor that they are unable to improve their housing conditions. As such, the sale of the property is seen by some as the only option.

Impacts on urban land and housing markets

Land titling is often promoted as a means of stimulating land markets in which households use their properties to 'trade-up' as a means of increasing their asset base. However, the case study findings reinforce the literature in noting that residential mobility is very limited, and there is very little buying and selling of homes in consolidated communities, except in desirable areas that are subject to gentrification. This suggests that newly titled households regard their properties primarily as homes and the basis for family and community life, not commodities to be traded in the market.

When property transfers have occurred, they are not necessarily for the reasons predicted. In Cambodia, where property sales have increased following titling programmes, it was because titles have been provided in peri-urban locations to which residents have been relocated from informal inner-city settlements. Drastic increases in land prices in settlements declared for regularisation in Dakar and the commencement of delivery process of property rights (surface rights that could be converted into a freehold title) has increased market pressure in targeted settlements and accelerated gentrification. In South Africa, many sales were at prices lower than the cost of development by households unable even to meet the cost of service charges. Such sales were informal and, as a result, the formal land registration system had broken down.

Land titling programmes place heavy demands on land administration agencies, since they involve a number of administrative procedures. Many of these agencies are overstretched performing routine tasks, so their ability to adapt to new challenges within a dynamic policy and economic environment imposes further demands. The initial titling allocation process involves different teams and departments undertaking new tasks and operating within agreed, and possibly new, procedural guidelines. Such changes inevitably take time to operationalise and can cause serious delays which alone can prejudice programme outcomes.

A major administrative consideration in implementing land titling programmes and maintaining land registries concerns the level of government at which these should take place. The findings provide evidence in support of both centralised and decentralised approaches.

Case studies of the tenure regularisation programme in Dakar show that the programme is having two opposite impacts: i) it has accelerated the formalisation of informal land markets and; ii) it has induced an "informalisation" of formal land transactions (to avoid taxation or temporary restrictions put on the transfer of real property rights). These two phenomena are closely interrelated and cannot be disentangled one from each other.

Conclusions and policy implications

General issues

The research has also demonstrated that when titling programmes are undertaken for primarily economic reasons, they have generally failed to realise their objectives. Investment in land and

housing, access to formal credit and municipal revenues have not increased noticeably more than under other tenure regimes, including many unauthorised settlements, and there is no significant evidence to date of poverty levels being reduced.

The impacts of titling programmes implemented for primarily social reasons also appear to be limited. Whilst there is considerable evidence, from the literature and the two case studies, of increased tenure security from titling, it is equally clear that many alternative forms of tenure, including many informal or unauthorised settlements, also provide high levels of security. The key issue is that of government policy and practice. In those countries where the threat of eviction is tangible, clearly the possession of a title is highly valued. Equally, where no threat exists, people feel sufficiently secure to invest what they have in housing improvements and in these cases titles are not regarded as important, and may even have negative connotations due to the increased commitments and visibility to the authorities that they entail. In all countries, a titled land plot has a higher market value than a plot which does not.

Furthermore, where titling programmes are undertaken on a small scale due to resource or other constraints, land market distortion is likely to be considerable, since well located settlements attract dramatically higher values and newly titled households become vulnerable to market displacement on less than favourable terms due to limited awareness of formal land market prices. Where programmes are undertaken at a large enough scale to minimise market distortion by spreading the costs and benefits widely, they place very heavy demands on land administrative agencies.

Tenure security

The idea that titling provides tenure security is difficult to prove in many cases because many regularisation programmes have been implemented in areas that already enjoy it. In cases where titling *has* increased security, it is not necessarily possession of the title that provides tenure security, the promise of one is sufficient and may preclude beneficiaries from completing the process if to do so exposes them to what they consider as unnecessary costs. Under such conditions, titling does not fully integrate informal settlements into the formal land and housing markets, but instead increases the complexity of land tenure regimes and may result in the 'informalisation' of existing formal land markets.

While examples exist which show a positive effect of titling on tenure security, especially for women headed households receiving titles, there are many others in which it fails, or may even *reduce* security, especially for tenants unable to afford higher rents following the allocation of titles.

Investment in housing and/or infrastructure

Titles, or the promise of them, have been shown in both the literature and the two case studies to encourage investment in house improvements and extensions. In both the Senegal and South Africa case studies, titling can be seen to have encouraged investment, since both titled groups and those expecting titles have invested more than those groups not considered eligible. However, a number of other related factors are also influential. These include the length of time since titles were allocated, the location of the settlements involved and the possible combination of titles with the provision of services and other upgrading measures. In some cases, it has been demonstrated that these other measures are sufficient to stimulate investment, whilst in other cases, the simple *perception* of tenure security, or government commitment not to embark on forced evictions, has proved sufficient to stimulate investment.

An important influence on investment is the degree of autonomy that households have regarding the nature and form of investments in housing improvements or extensions. In the South Africa case study, it was shown that more rooms are built in the informal settlement than in the settlements with, or about to receive, titles. This is partly due to the ease with which people can add to their structures in informal settlements, where no applications to formal bodies are needed in order to make the changes and there is often more space to add rooms. The residents of the formal units are obliged to apply to the council for any changes that they want to make to their units and this acts as a significant deterrent. If households are unable to conform to official planning regulations or standards, possibly because of the layout of older settlements formalisation may actually impede investment.

The clear conclusion from the evidence is that titling is one of many means of encouraging investment in housing and land, though by no means the only one.

Access to formal credit

The clear conclusion from the literature and the two case studies is that titles do not increase access to formal credit. It is equally clear that low-income households are expressing a deep, and rational, fear of debt, and that procedures followed, and conditions set, by finance institutions to provide mortgage credit do not respond to the needs, incomes and expectations of low-income families. Among those that did borrow from banks in the South Africa survey, male-headed households outnumbered female-headed households by two to one. This was partly because female-headed households have less reliable incomes. No households in either of the country case studies used their properties as collateral for obtaining formal credit.

Municipal government revenues

Revenues from land titling are influenced by several factors including the scale of charges involved, the ability of poor households to bear such charges and the costs of collection. Where these are equal to, or greater than, the revenues generated, incentives to collect property taxes and other charges will be reduced.

All or any of the above factors have been found to result in substantially reduced revenues resulting from land titling programmes. They have also deterred many households from completing the titling process, or formally registering land transfers in the case of inheritance of a previously regularised property, thereby perpetuating and extending informal land and housing markets.

The central conclusion of the research on this aspect is that governments should not expect to generate increased revenues from titling or other forms of regularisation, at least in the short to medium terms, but concentrate on assisting residents to register their claims to land in ways which facilitate the development of transparent land and housing markets which enjoy social legitimacy.

Impacts on economic development for poverty reduction

Claims that land titling can stimulate economic growth and reduce global poverty are not supported by the evidence of the review of literature or the case studies undertaken for this project. This applies equally to the longstanding programme implemented in Senegal and to the well resourced programme undertaken in South Africa. In other cases, it may be too early to

comment on their effectiveness in reducing poverty since they have not been implemented for a sufficiently long period, or at a sufficient scale. The South Africa case study shows that people's 'asset poverty' has decreased, but that this is due largely to the substantial subsidies allocated, not the possession of titles. How this translates into their 'income poverty' will only be determined in the longer term and is contingent on too many factors to enable an impact assessment to be made at present.

Impacts on urban land and housing markets

On balance, possession of a title deed has reduced the vulnerability of households to arbitrary eviction and loss of property, decreased the vulnerability of female-headed households by providing them with an asset and rights that are ostensibly backed by the state, and linked to perceptions of a better living environment. In order to determine the full effect, these advantages need to be weighed against: the quality of the asset provided; the additional financial burdens that arise from becoming integrated into the formal market and municipal finance system; and the location of the asset in relation to civic amenities and facilities.

The South African case study clearly demonstrates the need for tenure policy to be closely integrated with spatial planning, livelihoods policy and the provision of public utilities and facilities. In many countries, the emphasis on ownership has forced project agencies to develop new housing on cheaper land on the urban periphery, increasing household transport costs to major employment locations.

A key issue to consider is governance. Whilst poor governance may explain limitations in some countries, the South African case study demonstrates that despite central and local government commitment, adequate resources and a strong cadre of professional staff, the allocation of land titles has failed to create more dynamic and socially responsive urban land and housing markets. In Senegal, the allocation of property rights has stimulated formal and informal land markets, impacted on land prices and contributed to accelerated market-driven displacements. It is difficult, therefore, to avoid the conclusion that negative impacts must be due to the inherent limitations of titling as a policy instrument, not a failure of governance.

Policy implications

One implication for policymakers is to assess the number of land titles required within a programme and the capacity of the administrative system to deliver this. It is equally important to ensure that adequate financial and human resources are available to maintain land registries and titles during the period when titles are being allocated.

There is considerable scope for introducing or expanding innovative mechanisms for providing credit to lower income households. These should not be dependent upon the use of title deeds as collateral since most low-income households seek small loans which can more appropriately be based upon credit ratings through savings.

Considerable scope exists for reviewing the regulatory framework for managing urban land and housing markets. Scope exists for expanding public sector influence over land and housing markets through public-private partnerships and regulatory controls which require specific social or environmental benefits to commercially based urban developments.

The research has demonstrated that the social and economic impacts of titling programmes vary according to the objectives and circumstances under which they are undertaken. Three broad categories can be identified:

- **Titling of existing informal settlements within urban areas.** This may result in dramatic increases in land values over a very short timespan, particularly in well located areas. This may encourage competition between potential beneficiaries; adversely affect tenants and; encourage market driven displacement of newly titled owners unaware of the enhanced market value of their property, or forced into distress sales in order to cope with major economic difficulties. Titling programmes under such conditions should therefore be discouraged, in favour of other options for the gradual integration of selected settlements into the formal land and housing markets.
- **Titling of new areas, mostly on the urban periphery, undertaken as part of slum or squatter relocation programmes.** These programmes are usually undertaken as part of city 'beautification' or market driven development programmes. Such approaches have the intended or unintended consequence of forcing the poor out of the cities, often with no, or minimal, compensation, except to a relocation site. Although being allocated a titled plot is preferable to forced evictions without resettlement options, titling programmes under such conditions should be strongly discouraged.
- **Titling undertaken as one option amongst others allocated in new development areas, but generally in the urban periphery where new development sites are more readily available.** Private developers can be encouraged to provide individual plots for residential development to those who can afford the purchase price and associated costs. The administrative framework required for households to register their ownership status can either be established and maintained by land administration agencies on a cost recovery basis, or by a private entity offering insurance policies to guarantee titles, as already exists in many countries. Such a demand-driven approach may require regulatory reform of planning and building standards, regulations and procedures, but has the potential to enable landowners in the urban periphery to negotiate a fair price for their land, developers to make an adequate profit and cities to increase the proportion of formally developed land.

