Chapter 6
Social and Economic Impacts of Land Titling Programs in Urban and Periurban Areas: A Short Review of the Literature
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Tenure has been increasingly identified as a key issue in managing the growth of urban areas and reducing urban poverty. In May 1999 the United Nations Human Settlements Programme (UN-Habitat) launched its Global Campaign for Secure Tenure to address the need to increase protection against forced evictions and promote longer-term options for secure tenure. Similarly, the Millennium Development Goals emphasize the impacts of insecure tenure and its links with poverty—and thus the role of secure tenure in poverty reduction—and Sclar and Garau (2003, p. 57) have argued that security of tenure is an effective tool for alleviating poverty in slums.

The World Bank has recognized the importance of secure tenure in promoting economic development and reducing poverty in both rural and urban areas. The Bank organized a series of regional conferences on land and tenure issues in 2002 to establish the basis for appropriate land tenure policies. These emphasized that land policies are of fundamental importance to sustainable growth, good governance, and the well-being of both rural and urban dwellers—particularly the poor.

6.1 The Evolving Debate on Land Titling

The increasing consensus on the importance of tenure policy in reducing rural and urban poverty was matched during the 1990s by an equal consensus on the form such policy should take. The allocation of individual land titles in existing informal

1 Augustinus and Benschop (2003, p. 2) note that “various definitions of secure tenure exist, but the most recent definition that was agreed upon during the Expert Group Meeting on Urban Indicators in October 2002, is: the right of all individuals and groups to effective protection by the state against forced evictions. Under international law, ‘forced eviction’ is defined as: the permanent or temporary removal against their will of individuals, families and/or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate form of legal or other protection.”

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settlements and new development projects was seen as realizing several key policy objectives: increasing tenure security, increasing access to formal credit through the use of titles as collateral, stimulating investment in housing and local development, increasing municipal revenues, and promoting efficient and dynamic land and housing markets.

Land titling programs have been promoted by several international donors and national governments for many years in rural areas. Since the early 1990s they have also been undertaken in urban and periurban areas, though in these cases the outcomes may differ substantially, even when the objectives are the same.

The World Bank was an early supporter of urban land titling programs and began funding a major program in Peru in 1998. A synthesis of World Bank policy on titling identified three stages of reform based on experience in East Asia and Pacific:

1. Achieving direct linkages to agricultural and urban investment—involving the definition of property rights in a coherent legal framework and the provision of administrative mechanisms to provide security of tenure for these property rights.
2. The emergence of formalized land markets in which land can easily be leased, purchased and sold, and gifted to achieve more efficient and higher-value use of the resource.

A major boost to the discussion on the importance of tenure security and its implications for social and economic development came with the publication in 2000 of a book by Hernando de Soto. In this work de Soto claims a direct correlation between property ownership and affluence in the West and explains the continued poverty of developing countries in terms of their undeveloped property regimes. De Soto argues that the major stumbling block that keeps the rest of the world from benefiting from capitalism is its inability to produce capital, and that while the poor already possess the assets they need to make capitalism work for them, they hold these assets in defective forms. By this he means that they lack the title to their property, which they could use to invest in businesses, rendering their assets “dead” capital. He estimates that the total value of such “dead” capital is at least US $9.3 trillion. “They have houses but not titles, crops but not deeds, businesses but not statutes of incorporation” (de Soto, 2000, p. 7).

De Soto has successfully focused attention on the role of tenure policy as a central factor in social and economic development. He has stimulated an important debate about the role that property ownership and land titling should play in development policy and has attracted widespread support from international financial institutions, development agencies, and several national governments, though many observers have also criticized his approach on conceptual, ideological, and methodological grounds.

Understandably, de Soto claims that his views have been misrepresented, and the recently established Commission on Legal Empowerment of the Poor (CLEP), of which he is co-chair, emphasizes that land titling is not the only option for reducing poverty. However, the commission (CLEP, 2006) also states that access to landown-