



## Who has secure land tenure in the urban areas of Brazil? Evidence from the state of Minas Gerais



Frederico Poley Martins Ferreira<sup>a</sup>, Paulo Coelho Ávila<sup>b,c,\*</sup>

<sup>a</sup> School of Government, Fundação João Pinheiro – FJP, Belo Horizonte, MG, Brazil

<sup>b</sup> Ministry of Cities, National Secretariat for Urban Development, Brasília, DF, Brazil

<sup>c</sup> Department of Architecture and Urbanism, Catholic University of Brasília – CUB, Brasília, DF, Brazil

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### ABSTRACT

By using data from a sample survey of 18,000 households in the state of Minas Gerais that collected, for the first time in Brazil, very specific information on home ownership in urban areas, we have investigated how distinct conditions of secure/insecure land tenure are related to household, housing and city characteristics inside and outside slum areas. Using binomial logistic and maximum entropy models, we have identified who is more likely to have insecure tenure due to untitled land or unregistered deeds *vis-à-vis* secure tenure according to income, education, residency time, marital status, household size, housing size, public services provision and quality of public space. Our results show how differently these features are associated with diverse conditions of insecure tenure in slum areas and outside of them, sometimes even presenting unexpectedly opposite behaviour that reveals the complexity of property rights issues. Moreover, insecure land tenure in places apart from slums is also highly prevalent and present in almost all the state's urban areas. This scenario is probably the same in the whole country.

### 1. Introduction

Protection of property rights is recognized as paramount for economic development. Broadly, secure property rights create a confident environment that encourages investments ultimately fostering economic growth. Property rights are enforced by economic and political institutions that set the foundations of secure property rights and an inclusive market economy (Acemoglu and Robinson, 2012). Taking into account that real estate constitutes the main asset of families in urban areas, multilateral organizations and policymakers worldwide have prescribed programs directed at reforming land registering systems as a strategy for alleviating poverty, especially in developing countries. Those programs aim to improve the reliability and transparency of the registering systems and, more importantly, to title low-income households.

In Doing Business Report (2015), the World Bank affirms that improving the quality of land regimes and property rights is necessary to support investment, productivity and economic development. The rationale is that homeowners with registered titles are more likely to invest and have higher probability of getting credit when using property as collateral. In addition, titles can serve as insurance and savings tools for families, providing protection during difficult times and in retirement (World Bank, 2015).

Home ownership programs designed to increase tenure security for low-income residents have been implemented in many developing countries in Africa, Asia, Latin America and the Caribbean, largely echoing the ideas defended by De Soto (2000). That author asserts that low-income families living in irregular settlements hold “dead capital”, that is, their unregistered properties, which lack the formal representations – titles – necessary to capacitate them to participate in the formal economy. Accordingly, titling programs would not only be useful to increase tenure security protecting housing rights but it would also become the necessary asset for low-income families to use as collateral to access credit in order, for example, to boost investments in businesses and housing betterments. As such, titling programs would be able to reduce inequalities and increase social stability as well as foster economic growth.

Discussions among scholars and policymakers have assessed the effectiveness of titling programs worldwide to achieve those aims but with different findings. The research conducted by Payne et al. (2009), which reviewed the international literature and analyzed detailed case studies in Senegal and South Africa, concluded that, very often, land titling fails to achieve its objectives. They found that protection from forced eviction is not necessarily guaranteed by formal land titles in all cases; sometimes they increase displacements by market forces

\* Corresponding author at: SQN 206, Bloco E, Ap.604, Asa Norte, 70.844-050, Brasília, DF, Brazil.

E-mail addresses: [frederico.poley@fjp.mg.gov.br](mailto:frederico.poley@fjp.mg.gov.br) (F.P.M. Ferreira), [paulo.avila@cidadas.gov.br](mailto:paulo.avila@cidadas.gov.br) (P.C. Ávila).

(gentrification) or evictions are replaced by expropriation. Furthermore, housing investments are made even when tenure systems are informal, but trustworthy. In addition, access to mortgage credit by the poor and very poor families is not achieved since those who get titles are usually as reluctant to take loans, as banks are to lend to them because low-income families lack adequate incomes to meet long-term financial commitments. Generally, employment and income are key factors to get loans (Payne et al., 2009).

On the other hand, research in Peru, Argentina, Mexico and Brazil has shown that entitled families in informal settlements increased housing investments, reduced household size and enhanced the education of their children (Galiani and Schargrodsky, 2010), increased children's health (Galiani and Schargrodsky, 2004) and decreased the participation of children in the labor force (Moura et al., 2009). In addition, Kerekes and Williamson (2008) showed that better defined property rights would result in substantial improvements in capital formation and economic growth in developing countries.

Even though land titling can be used as a strategy for social and economic development, it is not straightforward. Possibly the positive effects of titling in reducing poverty and fostering development are achieved more often by encouraging physical and human capital investment than through credit access; enhanced property rights will produce medium to long-term economic impacts by improving the confidence of economic agents and thus their willingness to make investments.

Nonetheless, these effects will depend on the local, social, institutional and cultural contexts as well as how different groups value the possession of a title, according to their characteristics and expectations about the importance of legal property for both market transactions and tenure security (Monkkonen, 2016). In fact, tenure security is not just a matter of legal or illegal, formal or informal status; security is a relative concept and a matter of perception as well as law (Payne et al., 2009). Alston and Mueller (2015) suggest that property rights are highly complex and contextual, depending on the relationship across the attributes of the property rights along with the belief structure in which they are embedded.

In that sense, Monkkonen (2016) showed that deeds in Mexico are valued more in cities with more educated or wealthy residents, more political competition and more voting, while Payne et al. (2009) argued that infrastructure investment creates a sense of security of tenure that encourages homeowners to invest in housing betterments.

These findings suggest more research is still necessary to understand the complex scenario of insecure land tenure worldwide. Answers to questions such as where and under what conditions insecure land tenure occurs and who is affected are important to help to better define the problem and how to effectively frame urban policies to fulfill the needs of those who demand secure land tenure, especially in countries where insecure property rights are so critical. In Brazil, it is not a trivial matter, considering the lack of empirical data and information about land issues in urban areas as well as the country's continental dimensions, cultural heterogeneity and diverse regional development paths. These elements combined with customary, formal and informal land tenure systems add extra difficulties to defining the exact limit between secure and insecure land tenure in a country like this.

In Brazil, the state of Minas Gerais carried out an extensive household sample survey in 2013 that collected very specific information about urban land titling. It was the first experience in Brazil to advance in collecting data regarding property tenure conditions of urban households that more qualified. The case of the state of Minas Gerais is very useful to enable an understanding of what happens in Brazilian urban areas regarding land issues since the state is the second most populated in the country and includes the third largest Brazilian metropolitan area.

Using data from the Household Sample Survey of Minas Gerais (HSS-MG), carried out in 2013 (Fundação João Pinheiro FJP, 2014), this paper presents analytical insights about the relationships of three

types of different property rights conditions of owner-occupied housing (non-titled homes built on third party land, housing with unregistered deeds and fully titled housing) with housing and socioeconomic characteristics of urban households and city-level characteristics, by using (binary and multinomial) linear probabilistic models.

The analyses carried out here have improved estimations since they do not use proxies for insecure land tenure but specific data on several types of property or possession titles. Our study is particularly useful to identify who is more likely to have secure tenure and how this likelihood is characterized according to different households and city-level features. In addition, our investigation explores these connections not only in areas characterized as slums or unauthorized settlements, commonly occupied by low-income families, but also in areas outside them, that is, the ones predominantly occupied by high-income households with supposedly secure property rights.

This paper is organized into five sections, besides this introduction. In the next section, we are going to review a few works related to this study; Section 3 presents a discussion on the linear probabilistic models and data used in calculations; Section 4 presents the results and Section 5 concludes this paper.

## 2. Land tenure and socioeconomic interactions

Most of the studies on the precarious urban settlements in Brazil and its determinants have found the linkages between social and economic features of poorer families, the precarious conditions of these settlements and insecure property rights reinforcing, jointly, the cycles of urban poverty and social exclusion. Morais et al. (2003), for example, observed that the literature on spatial segregation and social exclusion identifies and emphasizes the positive correlation of the rising of slums and impoverished urban areas with a set of characteristics of the heads of households. Among them are unemployment or employment in the informal sector, migration, extended families, low level of education, race, households headed by women and cohabitant families. They showed that individual features such as low income, low education level, family size, migration and unemployment are associated with a high probability of living in slums (Morais et al., 2003).

Secure ownership tenure is supposed to produce positive long-term effects on economic and social conditions of families such as psychosocial security and warranty of future assets (Andrade, 2006; Field, 2003; Field and Torero, 2006; Galiani and Schargrodsky, 2011; Pörtner, 2001; Molina, 2014; Moura et al., 2009) and thus titling policies have been framed as a strategy for poverty reduction.

Other studies examining how different characteristics of households, cultural context and city-level characteristics affect the eagerness for formal titles showed how in different contexts titling is not as valued as was formerly supposed. Payne et al. (2009), for instance, reviewing the literature and examining detailed case studies in Senegal and South Africa, have found that titles were not an essential requirement to achieve secure tenure, increase investments in property and reduce poverty. Alternative tenure options existing in low-income communities as well as public investments in infrastructure increased householders' perception of their security of tenure in order to invest in housing betterments.

They found titling processes were incomplete – deeds were not registered – in places where property rights are delivered only after full payment of the price of the land, administrative costs of regularization and other fees and duties. In other cases, titling programs have accelerated “informalization” of land markets, that is, in order to avoid taxation and restrictions on transferring property rights, titled properties continued to be negotiated informally (Payne et al., 2009).

Monkkonen (2016) analyzed the demand for property rights in seventy-five Mexican cities and found similar results. Many families have not completed regularization proceedings, having official deeds, but not full legal titles. Costs of regularization and property transactions represent a heavy burden for low-income households and, usually, they

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