

New report assesses programs to improve life in Latin America's slums

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Report titled **Regularization of Informal Settlements in Latin America** looks at awarding titles, upgrading

CAMBRIDGE, Mass., May 10, 2011 /PRNewswire-USNewswire/ -- Today one out of four urban residents in Latin America lives in a dwelling that does not have a legal title, or lacks urban services such as water and sanitation, or is constructed in a precarious location. Improving conditions in existing informal settlements and shantytowns in Latin American cities is a necessary and worthy goal, but the programs for "regularizing" these places have had mixed results so far, a new Lincoln Institute report says.

The two major approaches to regularization – legalizing parcels by awarding the occupants titles to the property as exemplified in Peru, and Brazil's broader approach that combines titling with extensive upgrading of public services – both fall short of expectations. Titling by itself is relatively inexpensive but has not triggered neighborhood improvements, while upgrading is much more costly and can stimulate additional irregular development by those hoping to benefit from future upgrading. The lack of revenue associated with regularization has inhibited the scaling up of such programs.

Regularization programs can be more self-sustaining financially through property taxes and charges that capture some of the increases in land value caused by urban infrastructure and service improvements, according to [Regularization of Informal Settlements in Latin America](#), the latest Policy Focus Report published by the Lincoln Institute of Land Policy.

"Customized, cost-effective, and sustainable approaches to upgrading have the potential to improve the lives of the many millions of people living in informal settlements," said Gregory K. Ingram, president of the Lincoln Institute, "but regularization is a work in progress, and we need to learn more about what works."

An estimated 127 million people in Latin American cities live in informal settlements, on public and private land, in many cases in neighborhoods that have existed for decades and physically resemble legal developments. Legal recognition is increasingly seen as the only realistic remedy for informal settlements, as evictions and massive relocations to new public housing are neither tolerated nor economically feasible in most countries.

Informality is attributed to many causes, including low income levels, unrealistic urban planning and building regulations, a lack of serviced land and social housing, and a dysfunctional legal system. It generates large costs for residents, including insecurity of tenure, lack of public services, discrimination by others, environmental and health hazards, and inequitable civil rights. It also poses both high direct costs for local governments when they undertake upgrading programs and substantial indirect costs when coping with other impacts of informality, such as public health, criminal violence, and related social problems.

"Regularization programs need to be designed carefully to avoid either making conditions worse for the low-income residents the programs are intended to help, or stimulating the development of new informal settlements," said the report's author, Edesio Fernandes, a lawyer and international expert on regularization, who was a visiting fellow at the Lincoln Institute in 2008-2009.

The report first assesses the narrow legalization of tenure through titling, undertaken by Peru. This approach is inspired by Hernando de Soto's hypothesis that tenure security is a trigger for development, stimulating access to finance, economic activity, and residential upgrading. From 1996 to 2006 Peru issued over 1.5 million freehold titles at an average cost of \$64 per household. Evaluations indicate that the titling programs had little impact on access to credit, but yielded some investment in housing, and may have contributed to some poverty alleviation. The programs also increased property values by about 25 percent, well in excess of the titling cost.

Brazil's broader regularization programs combine legal titling with the upgrading of public services, job creation, and community support initiatives. At \$3,500 to \$5,000 per household, these programs are much more costly than Peru's titling system, and Brazil has had more modest coverage of households. Ironically, service upgrading occurs more often with little or no change in legal tenure status, although the number of titles is increasing. The few evaluations that exist indicate that the increase in property values associated with upgrading exceeds its cost, as in Peru, albeit at a lower rate than in new urban developments.

However, many residents in informal areas feel secure with de facto property rights of ownership based on customary practices. Residents in informal settlements developed on private land often have bills of sale or related documents, and such properties are bought and sold regularly. Some residents seem to prefer this system of informal titling and often do not embrace the legal titling system.

Regularization of Informal Settlements in Latin America, which will be translated into Spanish and Portuguese, includes the following recommendations for programs going forward:

- Evaluate the performance of regularization programs, based on collecting both baseline data before program implementation and subsequent data on program costs and outcomes.
- Customize policies and programs, because a single approach is unlikely to work well across all situations.
- Use appropriate titling systems (freehold, leasehold, cooperatives, land trusts, or communal ownership) to ensure the socioeconomic sustainability of the community.
- Seek the participation of both men and women to avoid building gender bias into the process and to increase its long-term effectiveness.
- Make regularization more self-sustaining financially through property taxes and charges on urban infrastructure and service improvements to capture part of the resulting land value increment. Payments for urban services in regularized areas should be equitable, follow the same principles as in formal areas, and be affordable to residents whose current payments for some services, such as truck-delivered water, may exceed the costs of regular services.
- Support more research and analysis to determine if the situation is improving or worsening in particular cities and to prevent the establishment of additional informal settlements, particularly when they are thought to be caused by regularization programs themselves.

"While full regularization has proceeded slowly in most cases and most programs fall short of original expectations, cities in Latin America are finding that addressing informality on site is now a political imperative. Not engaging in regularization policies is no longer an option," said Martim O. Smolka, director of the Program on Latin America and the Caribbean at the Lincoln Institute of Land Policy. "The long-run challenge is to provide infrastructure and services in an affordable and sustainable manner, pre-empting illegal occupations."

Addressing the worldwide issue of informal settlement has been a focus of international agencies including UN-HABITAT, which adopted a resolution in April calling for sustainable urbanization through equitable access to land, housing, basic services, and infrastructure. Installing infrastructure ahead of development is also a conclusion of another recent Lincoln Institute policy focus report, [Making Room for a Planet of Cities](#) by Shlomo Angel, issued in January 2011.

The Lincoln Institute has long been concerned about how to address informality and its impacts. This report is part of an ongoing set of research, education and training programs, and related publications that document the work of many colleagues in countries throughout the region and the world. Additional information on this topic is available on the Institute's Web site at www.lincolninst.edu/aboutlincoln/latin-america-caribbean.asp.

About the Author

Edesio Fernandes is a lawyer, urban planner, author, and lecturer associated with numerous international universities and nongovernmental organizations. He graduated from the Federal University of Minas Gerais in Brazil and received his Doctor of Law degree from Warwick University in the United Kingdom. In 2003, he was appointed the director of land affairs in the new Ministry of Cities in Brazil, where he formulated the National Programme to Support Sustainable Land Regularization in Urban Areas. He was a visiting fellow of the Lincoln Institute of Land Policy in 2008–2009.

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