Land formalization and local leadership in Moshi, Tanzania

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\section*{A B S T R A C T}

This study focuses on a number of neighborhoods in Moshi, Tanzania that participated in a property formalization program, and examines the relationship between local governance and the implementation of a tenure formalization program. Specifically, we examine how individual household responses to land formalization policies vary in response to neighborhood governance, oversight, and implementation of the land formalization process. We then discuss household differences in a) title deed application rates, b) home improvements and building permit applications, and c) road improvements and local commercial business development based on neighborhood context. We find that the relationship between local governance and tenure formalization is mixed in terms of impacts for both individual properties and neighborhoods. While good governance and implementation of land formalization can increase rates of household title deed application and number of building permits sought, we found no differences between the neighborhoods in terms of the use of title deeds in loan applications. However, we did find that better road improvements and the protection and oversight of the road right of ways did lead to increased commercial business development.

\section{1. Introduction}

The promotion of property titling and tenure formalization or formalization has now enjoyed several decades as the land policy of choice for international institutions, development agencies and national governments across the globe. As such, there exist many studies that have examined the impact of property titling and tenure formalization on a whole range of social, economic, political, and even cultural outcomes. A comprehensive study for the World Bank by Geoffrey Payne, Alain Durand-Lasserve, and Carole Rakodi (2007) reviewed over 200 land titling programs in 35 countries to ascertain the impact of property formalization on a myriad of factors, including access to credit, housing investment, property values, income, employment, labor mobility, local tax revenue, access to urban infrastructure and services, tenure security, social status, inclusivity, women's rights, health, education, residential mobility, as well as legal, institutional, and political impacts.

Nevertheless, these studies often do not examine the role of governance and leadership in implementing the programs they profess to evaluate. In fact, implementation is often treated as assumed or exogenous to the analysis. However, in order to be successful, the implementation of tenure formalization and property titling programs requires effective and efficient organization and administration. As such, the success of such programs is contingent upon local leadership and effective and efficient preparation and implementation with a strong level of public participation. The very localized context in which implementation occurs suggests that the geography of tenure formalization is quite variable.

This study examines the relationship between local governance and the implementation of a tenure formalization program. Specifically, we examine how individual household responses to land formalization policies vary in response to neighborhood governance and oversight of the land formalization process. We examine the impact that differences in neighborhood level governance have on the extent to which landholders apply for and received formal land title, engage in home improvements and investment, particularly the role of financing and securing building permits, and finally, the relationship between road and infrastructure improvements and commercial business development.

The study focuses on a number of neighborhoods in Moshi, Tanzania that took part in a property formalization program organized by the Sustainable Moshi program and was funded by DANIDA, the Danish development agency, in 2008: Miembeni, Dhobi, and Kwakomba. These neighborhoods differ in terms of organization and implementation of the tenure formalization process and the role of local community level leadership. Miembeni had strong leadership and community participation, while both Dhobi and Kwakomba were weak in terms of both participation and leadership, and local leaders failed to enforce public right of ways or include community members in decision making.

The rest of the paper is organized as follows: We review the
literature on land formalization, property and infrastructure improvements, and local governance, noting that the relationship between formal title deed acquisition and the supposed benefits is mixed. Next we employ a multi-method approach to explore these relationships, including a structured household survey, an assessment of the title deed application records from the Moshi municipal planning office, and a walking visual assessment in order to map improvements and developments in the intervening time period. We then discuss differences in a) title deed application rates, b) home improvements and building permit applications, and c) road improvements and local commercial business development. Based on these indicators, we find that the relationship between local governance and tenure formalization is mixed in terms of impacts for both individual properties and neighborhoods. While good governance and implementation of land formalization can increase rates of household title deed application and number of building permits sought, we found no differences between the neighborhoods in terms of the use of title deeds in loan applications. However, we did find that better road improvements and the protection and oversight of the road right of ways in Miembeni did lead to increased commercial business development.

2. Tenure formalization, investment, and local governance

The justification for property titling and land formalization more broadly is not easily explained from the work of Hernando De Soto, who argues that a lack of property rights and a reliance on unreported or ‘extralegal’ economic activity in many developing countries makes it difficult for entrepreneurs and residents to obtain credit, build capital and generate wealth (De Soto, 2000). In fact, De Soto (2006) finds that up to 89% of all properties and 98% of all businesses in Tanzania are ‘extralegal’. He argues

There is no way that Tanzania can escape poverty if the overwhelming majority of its citizens do not have the legal tools to create wealth: organizations that enable them to cooperate productively with each other, a property system to protect their assets and build capital if they so wish and legalize identity and contracts, allowing people to gain access to all the markets in their own country (p. 19)

De Soto was referring to assets and property in the broad sense, but his arguments have been extended to justify land formalization policies, and in particular the role of land titling, to create more efficient land markets and to incentivize residential or commercial property and investment (Durand-Lasserre & Selod, 2009). According to Payne, Durand-Lasserre, and Rakodi (2007, p. 13), “(this is based on an assumption that households will only invest in property improvements if they own their assets and that such investment will be protected in law. As such, evidence concerning the impact of titling on investment constitutes a key issue in assessing titling projects and programmes”. Several studies have empirically documented a relationship between land titling and patterns of property investment, for example in Peru (Cantuarias & Delgado, 2004; Field, 2005) and Argentina (Galiani & Schargrodsky, 2010), and have found a significant relationship between property title and property renovation and investment. The relationship between land formalization and economic development is less clear, and there is surprisingly little research. Although tenure formalization has been associated with increased employment status and overall household income, in certain cases informal economic activity (including home based businesses, commercial development, and rental property) were either displaced or reduced through regulation after formalization (Payne et al., 2007).

As Payne et al. (2007) point out, it is not titling per se that generates investment, but rather “the perception of security and achievement of a minimum bundle of property rights that exerts a greater degree of influence over levels of investment and other benefits” (14). In fact, titling is only one of several different methods of advancing tenure. Kessides (1997:vi) notes that “infrastructure improvements providing less than legal title can create a sufficient informal security of tenure to permit residents to invest and acquire other services”. Indeed, land formalization is often predicated and organized around the regular and systematic provision of infrastructure and services within a rapidly urbanizing environment. The delineation of public right of ways and demarcation of property boundaries allow for the construction of sewer, sanitary, utilities and service provision, including waste management and emergency vehicles. However, the relationship between formalization and access to urban infrastructure and services is not clear. A number of studies suggest a disconnect between land formalization programs and access to urban services and infrastructure due to costs associated with provision (Payne, Durand-Lasserre, and Rakodi 2009). Nevertheless, the provision and protection of road infrastructure and establishing public connectivity to each surveyed plot is an integral component of any formalization program.

Although the use of title deed as collateral to access mortgage credit at formal financial institutions was heralded as a potential benefit of the land formalization process, there is evidence that informal settlement residents generally do not rely on financial institutions to make improvements. For example, a survey in Dar es Salaam by Byabato (2005, p. 72) found that 80% of households interviewed specifically said they would not apply for a bank loan if it meant using their title deed as collateral, as they feared losing their property. Several studies, including in Accra, Ghana (Nyangetro, 2010, p. 289), Lahore, Pakistan (Wajahat, 2012, p. 134) and Dar es Salaam, Tanzania (Ramadhan, 2007, p. 69) found that majority of housing improvements were incrementally funded through personal savings or through loans from informal credit sources, a pattern of financing similar to both titled and untitled residents. These tended to be correlated with other underlying factors such as income generating activities and increase in size of households, as opposed to formal title. A similar conclusion was reached by Angel et al. (2006) from a study based in Mexico, in which the authors concluded that homeowners did not wait for a formal title to make home improvements and that household income had greater explanatory power in determining who made improvements. Moreover, Durand-Lasserre and Selod (2009) also note that many improvements may not comply with applicable planning regulations and building standards. Banerjee (2004) suggests that the may be reason that many residents decide not to obtain loans, as applying for permits and complying with building codes may be a requirement for obtaining a loan.

Many of these studies assume that property holders do in fact apply for title deed once their property has been surveyed. However, this is not necessarily the case. A USAID country profile of property rights and resource governance in Tanzania finds that “Few residents have elected to obtain formal certificates evidencing their occupancy rights ...” (2). The reasons for this are varied, but generally stem from the perception among residents that the benefits of formalization will not be forthcoming. Despite this, the report notes that residents do invest resources in upgrading their residences. Similarly, Fairley (2012) documents the formalization of customary land rights in Mbozi District (Tanzania) through the issuance of Certificates of Customary Rights of Occupancy (CCROs). She found that “...the promised benefits to having a CCRO were not being experienced or met, With the absence of perceived benefits accruing to the CCRO holder, farmers are even less likely to invest in applying for a CCRO” (p.16). The demand for property title is influenced by a number of different factors including characteristics of the local property market, the local economy, the legal or bureaucratic context, and the political environment (Monkkonen, 2016). Onerous or burdensome administrative procedures or political instability or volatility impact the demand for title deeds. It follows that the implementation and management of a land formalization process is in part dependent on the role of local leadership and public participation in determining outcomes (Kombe & Kreibich, 2000; Magigi, 2013; Magigi & Majani, 2006). As stated by Deininger and Feder (2009), “good governance”—that is a consistent legal and institutional framework,
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