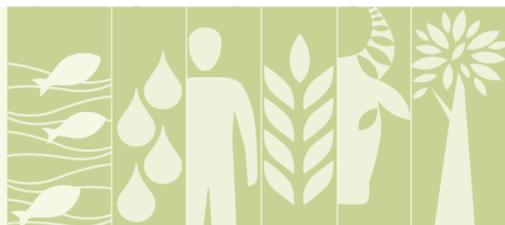


# CASE STUDY

WORLD BANK | AGRICULTURE AND DEVELOPMENT

OCTOBER 1, 2013



## Are Poor Slum-Dwellers Willing to Pay for Formal Land Title? Evidence from Dar es Salaam

DANIEL AYALEW ALI, MATTHEW COLLIN, KLAUS DEININGER, STEFAN DERCON, JUSTIN SANDEFUR, AND ANDREW ZEITLIN



were hailed as among the most advanced land laws in Africa (Alden-Wily 2003). For urban areas, the Land Act defines Certificates of Right of Occupancy (CROs), i.e. leases with duration between 33 and 99 years, as the main type of land ownership. A short term lease known as a residential license (RL) was also introduced as two-year rights which are renewable but non-transferable.<sup>1</sup>

However, rapidly increasing demand for land, especially in urban areas, has exposed many weaknesses in Tanzania's urban land management (World Bank 2009). Effective implementation of legal provisions is undermined by over-reliance on the central government and top-down planning, which stifles local government initiative; this results in an often incoherent regulatory framework and unrealistic standards (Kyessi and Kyessi 2007). Although the country has close to 40 million inhabitants and estimates suggest that in Dar es Salaam alone, 15,000-20,000 new parcels are added each year, the land registry has records for only around 223,000 parcels. With more than 80% of plots in Dar es Salaam being informal, levels of urban informality in Tanzania are among the highest in Africa (Kironde 2006).

The difficulties involved in obtaining CROs and the shortcomings of RLs have impeded land tenure formalization in the country's urban areas. The complex, costly, and time-consuming process for obtaining a CRO puts secure title beyond the reach of even relatively affluent households (World Bank 2009). The system also exhibits a striking bias against females, with less than 20% of the land registered in the name of women (Deininger et al. 2011). While the government attempted to increase tenure security by issuing RLs on a large scale to dwellers in informal settlements, demand for these was limited; to date less than 92,000 RLs have been issued. Possible reasons for this low demand include

### ABSTRACT

High levels of informality, from 70% to 80% in many developing country cities, increase poverty and make urbanization unsustainable. But it is not clear if this is due to lack of interest in more secure land rights or the high cost of traditional institutions. To find out, and see if formalization can help increase female empowerment, we conduct an information campaign about the importance of female land ownership in poor informal neighborhoods of Dar es Salaam and allow randomly selected residents to get title at a discounted price, with possible additional discounts if a woman is on the title. We find that demand for title at affordable prices is very high and that, after the information campaign, many males added females to title applications even if they did not receive large fiscal incentives. These results could have far-reaching impacts for the most appropriate way to support urban infrastructure upgrading.

### BACKGROUND

Land tenure formalization is frequently recommended as a policy tool for developing country governments to spur savings and investment by the poor, and extend access to credit by unlocking collateral. Nevertheless, very few developing countries have made significant progress in expanding formal land tenure to the poor. Policy-makers often shy away

from measures to broadly award such rights, arguing that doing so may be unaffordable, that informal arrangements can substitute for formal recognition, or that securing rights will hinder city expansion.

In Tanzania, the focus of this study, a sweeping reform of the country's land laws in 1999 created a legal pathway for rural and urban households to acquire formal tenure rights. The Land Act and the Village Land Act



THE WORLD BANK



DEVELOPMENT  
RESEARCH

[ECON.WORLDBANK.ORG/RESEARCH](http://ECON.WORLDBANK.ORG/RESEARCH)

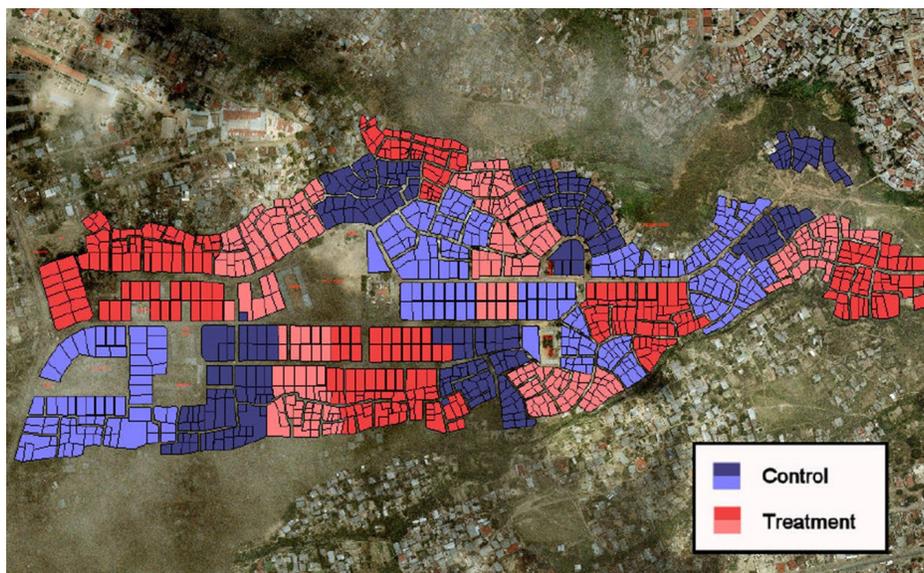
1. perceived few benefits from a document that is only valid for 2 years without transferability<sup>1</sup>; 2. non-trivial costs (an initial payment of TSh. 5,600 and an annual license fee of TSh. 3,000, along with property taxes); and 3. limited inter-institutional coordination and technical defects.

This study explores whether poor occupants of informal areas are interested and willing to expend resources for more secure property rights by conducting a randomized experiment in Dar es Salaam's informal settlements. Specifically, it examines two issues involved in expanding formal land tenure: cost and willingness to "co-title," i.e. include women on land titles.

## DESIGN

The setting for this study is Kinondoni, one of the three municipalities of Dar es Salaam. The purpose was to induce households in both communities to purchase CROs in order to subsequently study their impact. In 2010, a baseline survey of all 2,500 property owners in the selected sub-wards was conducted. Subsequently, ward-level meetings were held by a local NGO to explain the overall intervention and the modalities under which individual households could obtain CROs. The campaign was combined with strong sensitization regarding the importance of women to be registered as joint land owners, as an improvement in women's property rights can lead to female empowerment and other desirable outcomes in child health and education.

We divided land parcels (2 sub-wards with 1,000 parcels each) into approximately 40 "blocks" (contiguous groups of parcels), randomly assigning half of these into treatment and control groups. All parcels in treatment blocks were subject to a cadastral survey and owning households were invited to participate in the program to obtain CROs for TSh. 100,000 over roughly a six month period. To trace out demand and estimate the price elasticity of demand for CROs, we offered discounts by randomly providing individuals with vouchers ranging in value from TSh. 0 to TSh. 80,000 (i.e. households could face subsidies between 0-80% of the total cost of a CRO). In addition, the main, unconditional voucher was complimented with a "pink" conditional voucher that could only be redeemed if a female was listed as co-owner on the CRO. The size of the total discount that could be received by any household was limited to TSh. 80,000.



Control and Treatment Blocks in the Barafu Sub-ward

## DESCRIPTIVE EVIDENCE

Basic characteristics of the intervention areas, in particular the Barafu Sub-ward, show low formal, permanent employment, property size value, and access to utilities. Monthly income in Barafu is roughly TSh. 4,100, and very few of the households have applied for credit, with most being credit constrained. The table on Barafu presents

data at the plot level, illustrating that most (75%) parcels were purchased rather than obtained via inheritance (18%), government programs (3.5%), or squatting (2.4%).<sup>2</sup> In line with other studies, land rights seem quite secure and less than 10% of parcels have limited transferability.

Information on RLS also highlights some of the gaps inherent in past efforts to award more

## Parcel Level Characteristics of Barafu Sub-Ward by Gender

	Total	Head's gender		
		Female	Male	
<b>Parcel Size and Mode of Acquisition</b>				
Parcel size in square meters	249.884	256.242	231.715	**
Parcel was purchased (%)	75.9	63	79.9	***
Acquired through inheritance/gift (%)	18	29.2	14.8	***
Government programs (%)	3.5	3.7	3.1	
Parcel was squatted on (%)	2.4	3.3	2.1	
<b>Access to Utilities</b>				
Parcel with piped water connection	3.6	1.6	3.9	*
Access piped water from a neighbor	15.5	18.9	14.6	
Has access to electricity	61.1	56.4	62.2	
<b>Land rights</b>				
Land can be sold w/o approval	46.6	43.6	47.5	
Land cannot be sold	8.3	13.1	7	
Land can be rented w/o approval	50.6	49.2	51	
Land cannot be rented	7.0	10.2	6.1	
Land can be bequeathed	49.1	47.5	49.6	
Land cannot be bequeathed	7.8	13.6	6.1	
<b>Ownership and Legality of the Parcel</b>				
Head is the owner of the parcel	95.5	97.1	95.8	
Women own land (alone or jointly)	26.5	97.9	6.1	***
Parcel has residential license (RL)	36.7	31.3	38.4	*
Spouse's name is on the RL	4.0	0.0	5.0	
Women in the RL (alone or jointly)	20.2	84.2	5.3	***
WTP for CRO (TSh, median)	50,000	50,000	50,000	
Number of parcels	1092	243	842	

Source: 2010 Baseline household survey.

Significant levels are reported for t-tests of the equality of the means for each of the variables between parcels owned by female and male headed households.

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%.

secure land rights, especially with respect to gender. While owners have acquired RLs for some 37% of parcels and 20% of them have women in the RLs (alone or jointly), spouses' names are recorded on 4% of the licenses overall. This suggests that, in Barafu, RLs either reinforced or helped to create a relatively gender-based pattern of land access whereby women failed to receive equal access to housing property even in cases where they were considered joint owners.

## RESULTS

Using the experimental variation in the price of CROs, we constructed a demand curve for formal land titles. In Barafu, a majority of residents are willing to pay up to TSh. 20,000 to obtain a CRO. Although this falls short of the price the Ministry of Lands estimates must be charged for immediate full cost recovery (over TSh. 150,000 per parcel to cover cadastral survey costs, etc.), it is much higher than what is currently charged for RLs. The mean per capita monthly income in Dar es Salaam was approximately TSh. 80,000 in 2006. The fact that even poor households prefer CROs to RLs is demonstrated in their willingness to commit a significant portion of their resources to obtain a CRO; this suggests that there is unsatisfied latent demand for formal recognition of land ownership.

Second, our results show that households respond positively to price incentives by co-titling. General vouchers have a positive effect on co-titling because they induce households to purchase CROs, many of whom go on to co-title even without conditional incentives. Households which receive any conditional voucher are 29-30 percentage points more likely to co-title than those that receive no voucher. This effect is persistent and statistically indistinguishable across all voucher values, indicating that households are effectively nudged into co-titling by conditional vouchers.

Furthermore, in our experiment, dissemination activities helped to raise the share of households who indicated that they would co-title from 24% to 89%. Even if some of these intentions may not be followed through in practice, this is a large increase from the 5% of RLs issued carrying a female name. The results are consistent with the hypothesis that the collaborating local NGO responsible for marketing land titles exerted a strong influence on all residents, at all levels of

conditional vouchers, extolling them to co-title. This suggests that land tenure formalization programs and awareness campaigns that creatively aim to empower women can make an important contribution to overcoming long-standing gender bias.

Finally, the results of our study suggest that it may be worth considering decomposing the cost of CROs in order to make them affordable. Neighboring countries such as Rwanda have been able to title urban plots at significantly lower costs with reduced standards. As cadastral survey accounts for some two thirds of the cost of a CRO, systematic surveying, possibly at slightly lower standards, could reduce cost dramatically.

## CONCLUSION

If the benefits from formalization are indeed as large as claimed in the literature, the high levels of informality found in most developing country cities, as well as the gender-biased way in the few titles in existence tend to be allocated, are puzzling in a number of ways. On the one hand, they suggest that, by failing to formalize informal settlements and empower women by giving them a stake in property, society may forgo a large amount of social benefits. Also, if benefits are as high as claimed, individuals should demand formalization and a market for providing it should eventually emerge.

By providing informal residents in poor informal neighborhoods the opportunity to acquire formal property rights but still charging a household-specific price, this study allows us to advance towards addressing these puzzles in two areas. First, we find that, although willingness (and ability) to pay for formal documentation of property rights remains well below the costs involved in current sporadic efforts of

providing CROs, it is much higher than what is currently charged for RLs. To the extent that past initiatives were judged to have been less than fully successful, the underlying reasons are unlikely to be informal residents' lack of knowledge about the importance of secure land tenure or their unwillingness to pay for it. Instead, limited uptake of RLs seems to have more to do with the limited incremental benefits they offer. This suggests that, in the context of Dar es Salaam, policy initiatives to make CROs more accessible—for example by lowering the required survey standards—or to enhance the rights

### Net Effect of Vouchers on Co-titling

	Pooled	
	All	Dual-headed
General voucher	0.00109**	0.00158**
Conditional voucher	0.00228***	0.00288***
Constant	0.326***	0.324***
Baseline controls	Yes	Yes
Obs	1037	603

### Voucher Effects on Female Co-titling\*

	Pooled	
	1	2
General voucher	-0.000828	
Conditional voucher	0.00372***	
Conditional = 20		0.288***
Conditional = 40		0.297***
Conditional = 60		0.324***
Conditional = 80		0.304***
Constant	0.733***	0.645***
Baseline controls	Yes	Yes
Obs	264	264

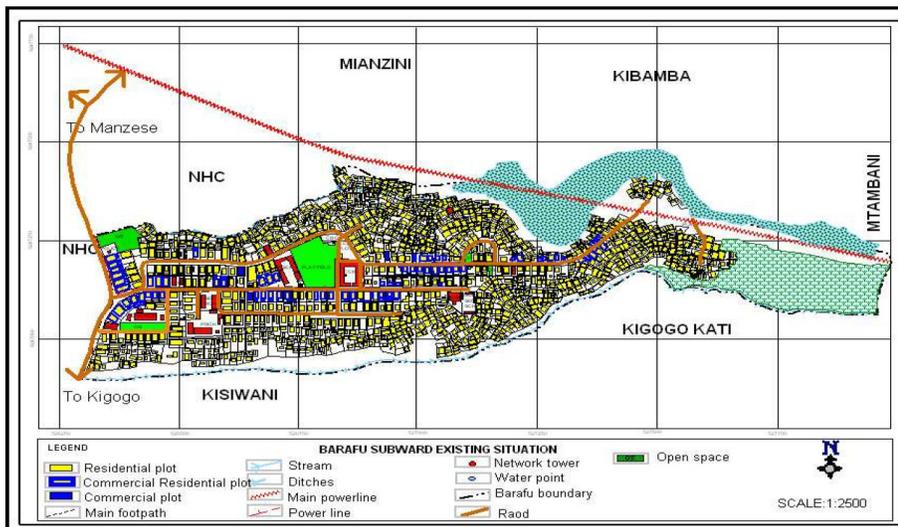
\*Conditional on CRO Application

Notes: Linear probability model. Dependent variable = 1 if household has fully paid for a CRO and included a woman on their CRO application. Sample is restricted to households with application data. Column 1 uses linear measures of voucher values. Column 2 introduces dummy for each voucher value; general voucher figures deleted.

\*p < 0.10; \*\*p < 0.05; \*\*\*p < 0.01



Cartoon used as part of the intervention to inform residents on the importance of having land titles to prove rightful ownership, allowing for secure land transactions.



Project Area

associated with RLs could go a long way in dealing with the city's problems of informality. The cost reductions achievable by a systematic approach, combined with residents' willingness to pay for real improvements in property rights, moreover suggest that even in cases where full cost recovery is unlikely, large scale property rights reforms could generate a sustained flow of revenues (eg. through land taxes), the present value of which may well exceed the cost of initial establishment of such a system.

Second, our data confirm that traditional interventions in Tanzania have indeed been characterized by a strong anti-female bias. A large part of such bias may be attributed to a lack of sensitization. The fact that even households who at the time of the baseline survey had no intention of putting a female co-owner on a hypothetical CRO did eventually sign up for joint title implies that the awareness campaign had a significant impact on the decision of who to declare as a land owner. It will be of interest to explore the extent to which these intentions are followed through and their eventual impact on economic outcomes and intra-household bargaining.

Even without the evidence that later studies may provide, our evidence is strong enough to conclude that, in light of the rather modest resource requirements, more investment in gender sensitization efforts could have large social and economic benefits. From a policy perspective, our findings imply a need to re-evaluate not

only the commonly held belief that poor people are not be able to recognize or pay for more secure land title but also the way in which most land titling interventions allocate resources- between efforts aimed at surveying and those aimed at sensitization and awareness.

\* \* \*

<sup>1</sup>As Tanzanian legislation requires that anybody who has been in possession of a plot for three years becomes eligible for compensation in case of expropriation for public purpose, the two-year limit was motivated by the desire to not create any rights that could be eligible for compensation. In response to widespread complaints and in order to revive flagging interest in RLs in general, this limit has recently been increased to 5 years.

<sup>2</sup>While male headed households purchased nearly 80% of their parcels, it is only a bit more than 60% in the case of female headed households. On the other hand, the share of inherited land is relatively higher for female headed households as compared to male headed households. However, as data on the source of the inheritance is not available, it is difficult to examine the potential link with the inheritance law.

#### REFERENCES

Alden-Wily, L. 2003. "Community-based land tenure management: Questions and answers about Tanzania's new Village Land Act, 1999." IIED Issues Paper 120. London: IIED.

Deininger, K., H. Selod and A. Burns. 2011. Improving governance of land and associated natural resources: The Land Governance Assessment Framework Washington, D.C.: World Bank.

Kironde, J. M. L. 2006. "The regulatory framework, unplanned development and urban poverty: Findings from Dar es Salaam, Tanzania." Land Use Policy 23 (4): 460-72.

Kyessi, S. A. and A. G. Kyessi. 2007. "Regularization and formalization of informal settlements in Tanzania: Opportunities and challenges in the case of Dar es Salaam City." . Hong Kong: Paper presented at the FIG Working Week, Hong Kong SAR, China, 13-17 May, 2007.

World Bank. 2009. "The urban transition in Tanzania." . Washington, DC: The World Bank, Tanzania Country Management Unit.

\* \* \*

*This case study was prepared by Daniel Ayalew Ali and Klaus Deininger from the World Bank Development Economics Research Group (DECRG), Matthew Collin and Stefan Dercon from the University of Oxford, Justin Sandefur from the Center for Global Development, and Andrew Zeitlin from Georgetown University. The Knowledge for Change Program (KCP), UN Habitat's Global Land Tool Network, DFID's International Growth Center, and the World Bank's Gender Action Plan Trust Fund provided generous financial support.*