

Policy Effects and Tenure Security Perceptions of Peruvian Urban Land Tenure Regularisation Policy in the 1990s

Ayako Kagawa*

Abstract

Massive land titling and registration, with the aim to formalise 1 million urban land parcels in the informal settlements have been carried out in Peru since the mid-1990s by a land-titling agency called COFOPRI (Comisión de Formalización de la Propiedad Informal). Today, COFOPRI claims to have achieved its objective of providing 1 million titles. This paper examines the effects of the formalisation process to identify whether it has had an impact for the informal settlers.

Themes revolving around urban land tenure regularisation policy can be extensive, from the macro perspectives of legal and institutional framework, urban land and property markets leading to capital markets, to micro perspectives such as the social and economic effects for the urban poor. This paper focuses on the latter, how the policy of land tenure regularisation affects the urban poor by examining empirical findings of policy effects and perceptions of tenure security amongst the urban poor in Metropolitan Lima.

A questionnaire based household survey and interviews were carried out in informal settlements in Metropolitan Lima in 1999 and 2000. Based on the different consolidation aspects of legal, social, physical and economic developed in the conceptual framework, variables were collected and indicators were generated. The main finding through this household survey was that whilst there is a strong link between legal and physical consolidation, there is a weak link between legal and economic, especially that of access to credit. The survey highlights the need to create a follow-up mechanism that can accentuate the consolidation process after legal consolidation. Furthermore, the results of the survey suggest the need for more information in a longer time span. From the interviews that treated the perceptions of tenure security identified that households in regularised settlements see their status as “informal urban dwellers” have progressed to “formal urban dwellers”.

The paper will close by reviewing the relevance of the proposed conceptual framework to the empirical findings in Metropolitan Lima to identify the impact of land tenure regularisation policy for the urban poor and examine future policy implications for the Peruvian government.

* Correspondence to: Ayako Kagawa, Division of Urban Planning and Management, International Institute for Aerospace Survey and Earth Sciences (ITC), Postbox 6, 7500 AA Enschede, The Netherlands (kagawa@itc.nl).

Introduction: Formalisation as a Poverty Alleviation Strategy

Under the Alberto Fujimori administration from 1990 to 2000, Peruvians have experienced “tumultuous and in many ways unprecedented” years (Dietz, 2000: 246). The urban poor are no exception. His neo-liberal economic reforms in the early 1990s when he came into power by cutting state expenditures affected the poor dramatically and made them susceptible to social policies programmes by the Ministry of Presidency which even though established by Alan Garcia administration (1985 – 1990) was revived by Fujimori in 1992. The Ministry of Presidency created state agencies such as FONCODES and PRONAA to provide food and nutritional supplements or FONAVI for low-cost loans for subsidizing improvement projects. However unable to respond to the continued informal occupation of urban land by the poor in the Peruvian cities with the existing state agencies, an active initiative to carry out “formalisation” (synonymous to “land tenure regularisation”) was implemented. This paper concentrates on this policy introduced in the latter half of 1990s.

Regularisation defined as “bringing the informal and unauthorised settlements within the official legal and administrative system of land management” (McAuslan, 1994: 47) includes specific policy instruments of land tenure, land registration, land-use regulations and public intervention. Whilst different governments opt for different policy instruments, the Peruvian government applies a combination of land tenure and land registration. According to Durand-Lasserve (1996), there are two objectives in regularisation, setting up of basic infrastructure and social services, and guarantee of secure tenure. In this paper the latter aspect, tenure security is emphasised in order to investigate how this can contribute to improvement of living conditions for the urban poor.

The relationship between land tenure regularisation, economic development and dwelling improvement

The relationships between land tenure, tenure security and development have been discussed and investigated repeatedly both in the policy and academic fields. This section will examine whether land tenure, an abstraction of land tenure regularisation is viewed crucial for development at a macro level and dwelling improvement at the micro level and develop a framework which the subsequent section's empirical findings are related to.

Table 1 summarises the possible advantages and disadvantages land regularisation may bring.

Table 1 Advantages and disadvantages of land tenure regularisation

Advantages	Disadvantages
Full individual rights	Increase in rent level, possibly leading to displacement of existing tenants
Security and access to a formal credit system	Reduced social coherence of neighbourhood as higher income groups come and reside
Improvement of general living conditions	Increase in land and property values
Transforming public perception of formalised neighbourhoods from previously undesirable to attractive neighbourhoods	Full tenure not sufficient incentive to stimulate housing improvements if target population's income too low
Increase tax revenue base	Loaning institutions not relying on public authorities' guarantee because of high risks
Increase in land and property values	May encourage formation of other informal settlements
Establish basis for comprehensive land register	
Increase accountability of public authorities	

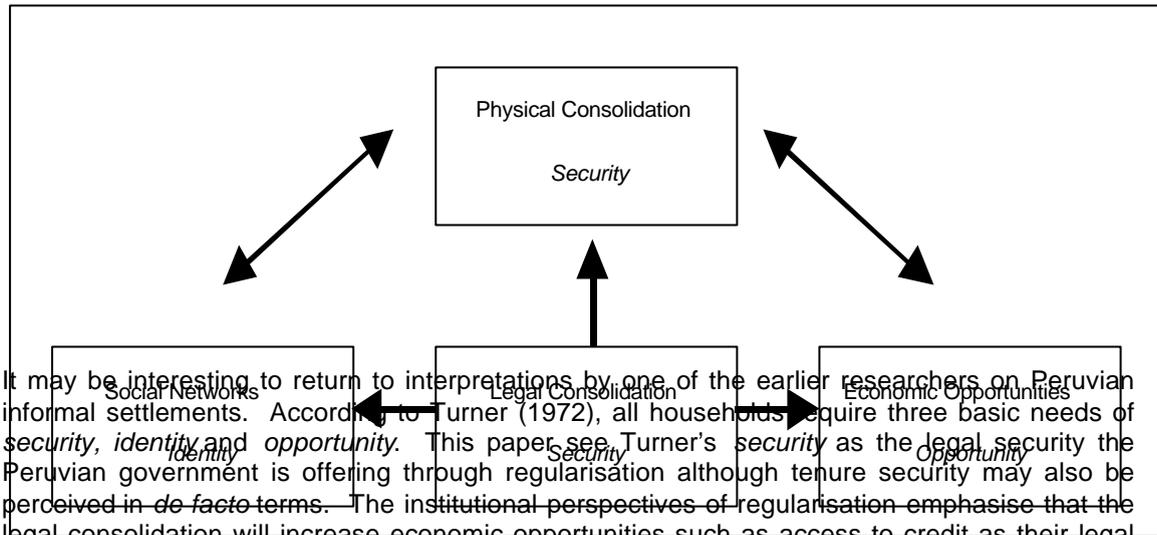
World Bank has been long interested and enthusiastic in supporting the positive correlation between land tenure and economic development, especially in the agricultural setting (Chalamwong and Feder, 1988; Feder and Feeny, 1991, Byamugisha, 1999) using empirical examples of Thailand. Their works identifies that tenure security will increase the accessibility to credit and increase agricultural production. Hernando de Soto, author of *The Other Path* (1986.1989) and *The Mystery of Capital* (2000) and the inspirer of the urban land tenure regularisation policy in Peru follows the same line of argument but applied it both in the rural and urban setting of Peru. He emphasises that property formalisation is the key to economic development, expressed in better market functioning, governance and land management. To achieve this, it requires political and popular mobilisation, as well as institutional, organisational, administrative and technical reforms. McLaughlin and Palmer (1996) support de Soto's claims and also emphasise the benefits of these reforms, especially for land administration.

The academic debates seem to take a more pessimistic tone and concentrate on the micro level, on the issue of dwelling improvements. Varley (1987) argues that despite the wide acceptance of this relationship, not many works have been carried out to test this in an empirical setting until the 1980s such as by Struyk and Lynn (1983) or Jimenez (1983). Varley's empirical qualitative studies in Mexico show that tenure status has made little difference to housing investment behaviour. Authors such as Angel (1983) and Payne (1997) claim that tenure security may not be a sufficient condition for dwelling improvements. Marxist academics such as Burgess (1985) has been critical of the possible negative consequences, tenure security could bring to the land market prices for the urban poor. Another leftist academic, Riofrio (1991) is also sceptical of the positive effects as sees the reduction of community consensus through regularisation as it enhances individualisation of households once they attain legal titles. More recent empirical work by de Souza (1999) also seems to support the argument by Payne (1997) that tenure security is not a sufficient requirement for further urban development. Whilst Payne (1997) agrees with de Soto's argument, he also questions the wide assumption that "granting of formal tenure is the most effective means of achieving this objective" (Payne, 1997: 25). He regards tenure security is not sufficient as "adequate levels of income and availability of credit on affordable terms" (Payne 1997: 25). It is this sentiment that the paper will elaborate upon.

In this paper, an attempt is made to examine the relationship between tenure security and dwelling improvements from legal, social, physical and economic perspectives to identify the extent of the effects of urban land regularisation policy for the urban poor. Figure 1 set out the

framework for the following analysis.

Figure 1 Framework of relationship between legal, physical, economical and social consolidation



It may be interesting to return to interpretations by one of the earlier researchers on Peruvian informal settlements. According to Turner (1972), all households require three basic needs of security, identity and opportunity. This paper see Turner's security as the legal security the Peruvian government is offering through regularisation although tenure security may also be perceived in *de facto* terms. The institutional perspectives of regularisation emphasise that the legal consolidation will increase economic opportunities such as access to credit as their legal titles could be used as collateral in mortgages. This opportunity will thus increase the level of physical consolidation, which in effect increase the physical security through higher dwelling qualities. Identity may also increase as sense of security as a formal dweller and a resident of that neighbourhood may be established.

Peruvian urban land tenure regularisation in the 1990s: COFOPRI

Whilst the acceptance of informal settlements in many developing regions has been a new paradigm shift in the 1980s, this is not the case with Peru. Its acceptance as an alternative urban development process can be traced back to the 1960s (Calderon, 1998, Turkstra et al. 2000) when Mangin (1967) and Turner's (1976) experiences in Peru influenced the development of sites-and-service schemes and settlement upgrading by development agencies in the succeeding two decades.

A progressive policy directed to informal settlements was introduced in 1961 as the Law of *Barrios Marginales* (Law 13517) where invasions by the urban poor on vacant public land before September 1960 were recognised and land titles were issued. In the 1980s, regularisation functions were passed on to municipalities as decentralisation took place in 1981 through Legislative Decree 051, which allowed local governments to authorise land titling to those irregular settlements established before 1978. Some 200,000 land titles were issued up to 1995 but local government capacities decreased in the late 1980s (Calderon, 1998). As rate of invasion did not decelerate, local governments ended up by extending the recognition dates through additional legislation. It was under the decentralisation environment that de Soto carried out his pilot projects and wrote his book, *The Other Path*, which was published in 1986 and in English in 1989.

De Soto's work was based in his NGO, Institute of Democracy and Liberty (ILD) where his team carried out a number of pilot projects, PROFORM in the late 1980s with financial support from USAID and the World Bank administered PHRD grant. These pilot projects were influential as it assisted the effectuation of Legislative Decree 495 in 1988. This led to the establishment of Registro Predial (RP), a separate registry to register property in informal settlements that was later renamed to Registro Predial Urbano (RPU), under the Ministry of Justice since 1994. De Soto and ILD claim that between 1991 and 1995, some 300,000 land titles were registered through their pilot project (World Bank, 1997). It is clear that the late 1980s and early 1990s, both ILD and the government worked hand in hand with enthusiastic support from the international arena.

However as land use control and regulation mechanisms were not strongly and efficiently

enforced, the urban poor continued to invade and expand the irregular residential settlements in Peru.

The Commission for Formalising Informal Property (COFOPRI), a specialised land title agency under the Ministry of Presidency¹ was established through a Legislative Decree 803, Law to Promote Access to Formal Property in March 1996. The establishment of COFOPRI also meant the ending of local government jurisdiction for land titling in irregular settlements and thus land regularisation was in the hands of the central government. The World Bank became actively involved and gave a US\$38 million loan to the Peruvian government who was to be responsible for another US\$19 million from their national budget to carry out a national scale regularisation project under the name of Peru Urban Property Rights Project (PUPRP).

Whilst COFOPRI was to be responsible for legal and physical verification and issuing land titles, RPU was to be engaged in land registration. The principal objectives of the two agencies are to “to create a system assuring formal and sustainable rights to real property in selected, predominantly poor settlement in larger urban areas” (World Bank, 1998). Their activities have mainly been focused on Metropolitan Lima owing to its magnitude and extent of irregular settlements. According to the 1993 Census data identified that out of the 914,000 possible informal properties, 478,000 existed in the capital. COFOPRI had selected several provincial cities of Arequipa, Ica, Nazca, Moquera, Trujillo, Piura, Chiclayo, Chimbote, Iquitos and Huaraz to work but prioritised its main activities in the earlier years in Metropolitan Lima.

Table 2 illustrates the number of parcels formalised and titled between August 1996 and November 2000. In early 1996, in a presidential speech Alberto Fujimori promised that 1 million land titles were to be issued nationally before July 2000. Since then, for both COFOPRI and RPU, 1 million became the magic number as they saw that this number was large enough to convince the private financial markets that the residents in formalised settlements are worthwhile to be seen as potential clients to access credit.

Table 2: Number of parcels and titles formalised and registered by COFOPRI and RPU

	1996	1997	1998	1999	2000	Total
Properties	50,000	178,000	166,000	509,500	497,000	1,400,500
Individual titles	34,000	129,000	150,000	322,000	398,000	1,033,000

Source: COFOPRI Annual Report (1998), COFOPRI Internal Statistics (November 2000)

Referring to the table, properties are those registered at COFOPRI and individual titles are those which later are registered by RPU. COFOPRI claims that it has been able to deliver the promised quantity and that the operational strategy has been extremely fast and efficient².

Whilst COFOPRI's activities have only been implemented for 5 years, it is hard to deny that their existence has been sufficiently drawn attention to the Peruvian society. It is therefore essential for some form of empirical investigation to be carried out in order to identify the effects of this land tenure regularisation policy.

Preliminary policy effects identified through household survey, July 1999

A questionnaire based household survey was carried out in nine informal settlements that were invaded and evolved in the late 1980s and early 1990s in the peripheries of Metropolitan Lima. The number of informal settlements in Metropolitan Lima is considerable and each settlement has a different to compare them systematically. Notwithstanding this, the following criteria were set for the choice of sample was:

- Squatter settlements that were invaded approximately within one to two years of within each other
- Squatter settlements that were not formalised at all and thus have only *de facto* tenure status

¹ As an autonomous agency, it was to be under a minister instead of a ministry and therefore from the Ministry of Presidency, it was later on transferred to Ministry of Transport, Construction and Dwelling and at present is under the Ministry of Justice.

² There are questions on out of the number of titles registered in RPU, how many were those which were titled purely by COFOPRI's activities as there are those registry information that have been transferred from RPI, the traditional registry to RPU but its extent and procedures have not been revealed.

- Squatter settlements formalised by COFOPRI in 1996/97 and thus with *de jure* tenure status
- Squatter settlements formalised by COFOPRI in 1998/99 and thus with *de jure* tenure status

With these criteria in mind, nine settlements were selected randomly within their geographical sphere (east, south and northern peripheries of Metropolitan Lima) and a quota of 100 questionnaires per settlement was set.

Whilst the limitations of the data collected was acknowledged from the preliminary stages of the survey design in terms of relative short time span since the policy has been implemented, 629 valid household questionnaires were collected in July 1999. This section will elaborate the findings of this in general terms.

Based on the different consolidation aspects of legal, social, physical and economic, variables were collected and indicators were generated. The following section will highlight some of the variables and indicators to illustrate the situation of recently evolved irregular settlements of Metropolitan Lima.

When the legal consolidation aspects such as ownership of land title are examined, of the 629 households that were surveyed, 425 households were in regularised settlements and 204 households were in settlements where regularisation has not yet taken place. The average time since invasion is as long as 8 years in settlements regularised in 1996/1997. Households in settlements that have not been regularised tend to have been there for much shorter periods (average of 4 years and 6 months) than those that have been regularised which further suggest that regularisation process to be also influenced by the length of the existence of the settlements.

Average household size, female-headed households and marital status were selected as indicators of social consolidation (Table 3). The average household size shows that households in regularised settlements are slightly larger than those in not regularised. The average age of head of household is examined whether household size is determined by age or, life cycle of the head of household but the results show that the average age is not a determinant in household size. It is also interesting to note that female-headed households are found in greater proportions in settlements that are not regularised (27.9%). The findings of the survey show that there is a greater proportion of households in regularised settlements whose marital status is married (82% and 80%). The percentage of those with married status is lower in settlements that are not regularised (74%) and thus the proportion of single household is higher (17.6%).

Table 3 Social consolidation indicators

	Households in Metropolitan Lima (n=629)		
	Regularised in 1996 and 1997 (n=150)	Regularised in 1998 and 1999 (n=275)	Not regularised (n=204)
Average household size	4.93	4.82	3.94
Average age of head of household	40	37.7	37.2
Percentage of female-headed households	18.7	20.4	27.9
Percentage of households with marital status: married	82.0	80.4	74.7
Percentage of households with marital status: single	8.0	9.1	17.6

The physical consolidation perspective involved the collection of information ranging from type of housing, building materials, number of rooms, and status of construction, to data on infrastructure such as water, sewerage, energy and waste management. However, for the purposes of analysis, a selection of key variables was made for indicator generation. The main indicators selected were building materials of exterior walls, roof and floors for the dwelling's exterior physical consolidation whilst the interior physical consolidation was examined through infrastructure connection such as water supply and electricity. Table 4 shows a clear distinction

in terms of building materials for exterior wall and roof for households between regularised and non-regularised settlements. Whilst in regularised settlements, households with adobe and/or brick exterior walls comprised of 58.7% and 62.6%, households in non-regularised settlements accounted for only 4.9%. The majority of households in settlements that were not regularised often consisted of straw mats and wooden planks, which are inferior in comparison to adobe and bricks in terms of function and quality. The difference between the regularised and non-regularised settlements is smaller when comparing the indicators of roof materials. Whilst households in regularised settlements compose 50.7% and 51.6%, whilst households with bricks and/or corrugated iron the percentage in non-regularised settlements was 21%. This trend suggests that roof is seen as an essential function for physical consolidation in the dwelling. However, from the two indicators of exterior walls and roof, it is possible to see a trend that households in regularised settlements have a higher physical consolidation level.

Table 4 Physical consolidation indicators

	Households in Metropolitan Lima (n=629)		
	Regularised in 1996 and 1997 (n=150)	Regularised in 1998 and 1999 (n=275)	Not regularised (n=204)
Percentage of households with adobe and/or brick exterior wall	58.7	62.6	4.9
Percentage of households with brick and/or corrugated iron roof	50.7	51.6	21
Percentage of households with public water connection system	2	45.5	0
Percentage of households with electricity connection	97.3	94.9	64.2

When considering the indicators of infrastructure, water and electricity connection levels were identified as the most important. The two indicators illustrate the extreme contrast of the connection environment that is not determined by its tenure status. The water connection environment can be said to be a typical example of this since the regularised settlements between 1998/1999 is higher (45.5%) than that of between 1996/1997 (2%). When the connection level of electricity is investigated, although the connection level is lower than that of regularised settlements, households in non-regularised settlements have a relatively high connection level (64.2%). From this, one could deduct that *sub terra* infrastructure does not necessarily change with regularisation. The *supra terra* infrastructure, electricity connection level the tenure status seems to facilitate the connection environment but is not exclusively determined by tenure since its connection is more simple in comparison to water and carried out by the private sector, whose objective is profit maximisation. This is understandable especially in a city where 90% of residential electricity consumption is carried out within the irregular settlements³. When the above selected indicators are correlated with the legal consolidation aspect of whether the land title determines their physical consolidation level, the results illustrates that it is higher than those of social consolidation (Kagawa, 2000). Amongst the four indicators, it is the exterior wall and roof that show higher correlation than those of water and electricity. Thus, it is possible to deduce that physical consolidation is strongly correlated with legal consolidation.

One of the most important consolidation aspects that institutions such as the Peruvian government and the World Bank are focusing on through this land regularisation policy, is that of economic consolidation. With regards to this aspect, two indicators, average monthly income of the urban dwellers and access to credit were selected. Table 5 shows that households in regularised settlements have higher average monthly incomes (508.3 and 421.3 Peruvian soles) than households in non-regularised settlements (390 Peruvian soles). This suggests that households in regularised settlements have better access to sources of income generation and thus opportunity, in comparison to those households in non-regularised settlements. When the

³ Interview with Director of DELNOR, electricity company of the northern periphery of Metropolitan Lima.

income is classified according to tenure status and income levels, households with land titles and thus legal consolidation also show to have low average income (64 households with land titles have average income levels between 0 and 100 Peruvian soles). Therefore it is possible to see that whilst there is a tendency that households without land titles have lower average monthly income, even amongst households with land titles have low income and this depends heavily on the individual households.

Table 5 Economic consolidation indicators

	Households in Metropolitan Lima (n=629)		
	Regularised in 1996 and 1997 (n=150)	Regularised in 1998 and 1999 (n=275)	Not regularised (n=204)
Average monthly income (Peruvian soles)	508.3	421.3	390.0
Number of access to credit	4	11	1

Access to credit is an indicator of considerable interest, as this will identify whether the theory of de Soto is operating or not. The results from the household survey illustrate that access to credit is very limited in Metropolitan Lima. Amongst the regularised settlements, only 15 households had access to credit despite their ownership of land and dwelling. Furthermore, these credits were provided by a state agency under the Ministry of Presidency known as Banco de Materiales, which loans construction materials rather than the money itself. What is also interesting to note is that a case for access to credit was also identified in settlement that was not regularised by Banco de Materiales. There seems to be a lack of consistency in the conditions for application of mortgage, a point elaborated in the following section.

Profiles of those households who had gained credit show that the half of them (7 out of the 16 credits) were found to be in the same settlements regularised between 1998/1999 and households, which are close to each other were therefore neighbours. This may reflect that the element of access to this information influences the behaviour of households. What is found to be common in these households is that they are of married status and despite their low-income level, physical consolidation level is high. Therefore, from this profile it is possible to suggest that income level whilst it can influence the level of physical consolidation, it is not a determinant to access to credit, or rather could be a reason not to access credit. When the relationship between legal consolidation and economic consolidation is examined, it shows a low correlation (Kagawa, 2000). Thus, whilst the model of regularisation emphasises that legal consolidation has a strong influence on economic consolidation, this trend cannot be found in this empirical investigation.

The findings of the survey show that legal consolidation levels depend on whether land titling agencies have entered the settlements for regularisation. The social and economic consolidation show less relation with the legal consolidation indices whereas the physical dwelling consolidation indicators show that dwelling consolidation is clearly influenced by tenure status. However when the physical consolidation extends to infrastructure, tenure does not influence the availability of services as much as expected. What is interesting is that whilst there is a strong link between legal and physical consolidation, there is a weak link between legal and economic despite institutional models influenced by de Soto claims that legal consolidation will lead to increased access to credit. The Lima study indicates that this is not occurring in the magnitude institutions is expecting. Those access to credit that was identified was from Banco de Materiales and is difficult to claim that regularisation policy has opened doors to for the urban poor to access the private sector of the economy through access to credit. The survey highlights the need to create a follow-up mechanism that can accentuate the consolidation process after legal consolidation.

The above findings must be viewed with some caution as the number are small and the time span since the land regularisation policy has been in effect is short. However, this survey could be utilised as part of future base-line survey or as part of a longitudinal survey.

Beyond the Other Path

The issuing and registration of 1 million land titles affecting some 5 million urban residents of a nation with a population of 24 million (INEI, 2001) within 5 years is a major achievement and will affect the shape of the Peruvian urban landscape in the coming decade.

This paper has attempted to explore the preliminary effects of land tenure regularisation policy in Metropolitan Lima. Whilst other empirical studies which investigate the relationship between tenure security and dwelling improvements have used qualitative approach (Varley, 1987, de Souza, 1999) this paper emphasised a quantitative approach.

Relating to the conceptual framework introduced earlier, the survey illustrated that legal consolidation through land titles does not prove to be a strong determinant for physical consolidation, which Turner express as *security*. Furthermore, *security* provided by legal land titles do not necessary increase *opportunity* as economic consolidation in terms of access to credit was low in the household survey implemented. Physical consolidation seems to take place by the household's own means without assistance from legal *security*. The finding suggests that legal *security* have not been satisfactorily proven to be effective in terms of de Soto's assumption at the moment.

Small-scale informal household interviews were implemented both in July/August 1999 and November 2000 in order to supplement tenure security perceptions by residents of the newly formalised settlements in those settlements the household survey was carried out. The interview was semi-structured and focused on how they viewed tenure security and whether land titles were important. The investigation carried out in 1999 revealed that majority of those interviewed both in formalised and non-formalised settlements felt that the formalisation process enhances the sense of security in socio-cultural terms by incorporating the informal dwellers into the formal sector of society. In this sense, "informal urban dwellers" have become "formal urban dwellers"⁴ but the interviews in 2000 also unveiled that land titles have not been sufficient to open doors to access to credit. Of those interviewed, viewed that credit was essential but unable to access because of their lack of individual income generation and social contacts to gather further information to access credit. These views suggest that there needs to be a mechanism by the state that will further help the urban poor to be integrated in the formal system. Therefore, the argument posed by Angel and Payne can be reaffirmed as "legal reform is necessary but not a sufficient condition for investing in housing improvements" (Fernandes, 1999:247). Thus, future legal reforms should not only encompass economic mechanisms to strengthen the relationship between legal and economic consolidation but also those economic instruments which will allow better integration of legal and financial mechanism for greater access to the credit system by the urban poor.

This transition of *identity* amongst the urban poor may be a factor that institutions have not anticipated enough in the regularisation process but could be a driving force to accelerate the consolidation process by implementing mechanisms which will tie the relationships between legal, social, physical and economic consolidations stronger. Thus, more works based on tenure security perception needs to be carried out as that by de Souza (1999) in order to understand the tenure security perception dynamics amongst the urban poor.

It is important to note that in 2000, there have been attempts by COFOPRI and RPU to link these residents and the private sector, thus awareness by institution does exist. They claim that out of the 1 million formalised households, 10% are said to have a potential to access credit as they have employment and already with a high level of dwelling consolidation. An agreement has been reached between COFOPRI, RPU and Banco de Wiese Sudameris allowing the bank to access the database the two public entities have been developing in order to select or check the potential clients' portfolio. The databases includes positive portfolio of potential clients of whether they pay the tax regularly, pay the water and electricity bills, have social security number, employment, etc. Whether this movement will affect the absolute urban poor will require more time and further investigation.

However, these elements of *security*, *opportunity* and *identity* can only be achieved if political, institutional and legal frameworks are able to support and guarantee the continuity of the policy arrangement. The relative political stability under Alberto Fujimori in his second term of office

⁴ Perception agreed at an interview with Riofrio, August 1999.

has allowed the policy to be implemented without much political opposition. This also allowed COFOPRI to exercise their autonomy and operationalise their land titling activity with minimum interference. However, with the current political climate changing, there has been evidence of transition as in March 2001, a decree to establish a Commission of Formalising Informal Property at the Local Level was passed. This decree passed under an interim government, a month before the presidential elections in April 2001 implies a political message that land tenure regularisation policy will remain a high profile policy instrument. Furthermore, the decree seems to insinuate a decentralisation movement in which local governments will be challenged to implement the formalisation process as effectively as COFOPRI has been claiming done in the past 5 years of its existence. Within the legal framework, two issues are emerging and require to be treated urgently by the new political administration. The first is the debate over integration of two parallel registry system as COFOPRI's existence only highlighted the inefficiency of the traditional public registry that is causing problems in the formal city. The other is the need to change the legislation to make it obligatory to register all properties, which will facilitate the quality of registration records.

It is only when all the above issues are treated with willingness by the new Peruvian administration that de Soto's visions on the prospects of beyond the other path is going to be promising.

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