

GLOBAL PERCEPTIONS OF TENURE SECURITY : **LOOKING BEYOND THE FORMALISATION OF PROPERTY RIGHTS**

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Introduction

Wherever we live in the world, our homes are key to our sense of wellbeing. Housing and land security are also key to a country's development and economic growth. To improve security, policy makers often focus on formalising land and housing rights. Yet this analysis finds that formalisation alone is not enough to improve tenure security. Moreover, formalising property rights does not always change how secure people feel – a crucial determinant for driving productive investments in property and participation in property markets.

Our new analysis of the 2018 Prindex survey, covering 33 countries, reveals key factors affecting how secure people feel in their property rights. We find that past experience of eviction and knowledge of how

to protect property rights are critical – both have a greater effect on perceptions than formalisation. For example, renters who have experienced eviction are about 15% more likely to feel insecure than those who have not, irrespective of whether or not they have documents proving their rights.

The survey also shows a wide variation between countries in terms of who feels insecure and why, indicating the diverse effects formalisation is likely to have on different groups.

We have four recommendations for improving tenure security around the world and facilitating achieving the Sustainable Development Goals (SDGs).

RECOMMENDATIONS:

1. **Improving perceptions of tenure security** should be a primary goal of policies aimed at improving property rights. Alongside formalisation, policy interventions should aim to reduce evictions, raise awareness of legal rights, improve trust in government and boost primary education.
2. **Perceptions should be monitored.** Perceptions data can help shape policy interventions and provide immediate feedback on how effective they are.
3. **Variations across groups matter.** Rural and urban populations, as well as owners and renters, should be considered separately when assessing tenure security and designing interventions.
4. Formalisation policies should **target the most responsive groups** first: new owners and urban populations. Positive spill-over effects will extend to other groups, such as women, rural populations and renters.

This brief summarises the paper "De-facto vs. de-jure tenure security: evidence from the cross-country Prindex survey" by D. Nizalov, I. Langdown, J. Feyertag, M. Childress and A. Locke presented at the "Land and Poverty" conference (World Bank, Washington DC, 2020).

Analysis

In 2018, Prindex surveyed a nationally representative sample of adults in 33 countries on perceptions of tenure security. 53,180 people were asked: “In the next five years, how likely or unlikely is it that you could lose the right to use this property, or part of this property, against your will?” Respondents were also asked about their tenure arrangements (whether they own or rent), the location of the property (urban or rural), the property type (flat, house or land), key demographics (education, sex) and whether they possessed formal documentation or have an informal arrangement. Those that did not feel secure in their property rights were asked to provide reasons why.

WHY PERCEPTIONS OF TENURE SECURITY MATTER

Perceptions of security are a proxy for how an individual assesses the risk of losing their land and property. Perceptions drive people’s decisions on whether to buy, rent and invest in property as well as use it as collateral. This affects the benefits people can derive from their land and housing. For example, the choice of whether to install an irrigation system may be

contingent on how confident you are that you can recoup your investment. The same goes for fixing up a spare room to rent out.

As Figure 1 shows, overall levels of perceived tenure insecurity vary widely from country to country.

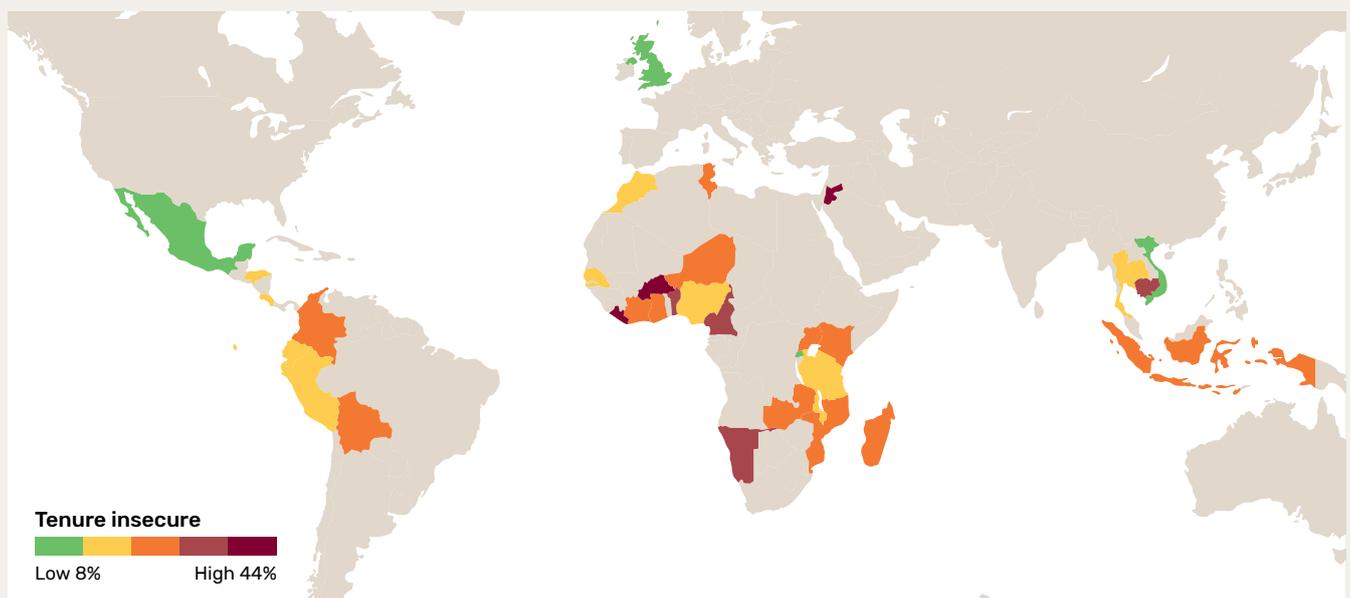
FORMALISATION POLICIES ARE NOT ALWAYS EFFECTIVE

Policy interventions to improve tenure security tend to target establishing and strengthening legal rights (formalisation). These have been shown to improve agricultural output, health outcomes, asset value, and labour supply. However, where legal institutions are weak, corrupt, or enforcement is ineffective, formalisation may do little to change people’s perceptions of their security. People may choose to avoid formal registry altogether if the official procedure does not align with their practices or the benefits are lower than the costs. Importantly, people tend to make decisions based on their perceptions of security, rather than their legal rights. Formal titling alone does not necessarily affect such perceptions.

BOX 1: FORMAL PROPERTY RIGHTS VS. ACTUAL PRACTICE OF RIGHTS

Formal (*de-jure*) rights are legal rights governed by legislation and government procedures. They are secured through documentation recognised by a court of law (ownership titles, sales contracts, rental agreements, municipal/state registries). The actual practice of rights (*de-facto tenure*), formal or not, refers to how property rights work in everyday life. Evidence of de-facto rights include provision of mortgages, payment of property taxes, and receipt/ payment of utility bills. Duration of tenure and experience of property related conflicts or eviction are commonly used as proxies for de-facto tenure.

FIGURE 1: MAP OF PARTICIPATING PRINDEX COUNTRIES



RIGHTS AND PERCEPTIONS VARY

The Prindex survey reveals wide variation in the levels of insecurity among property types and forms of tenure. Across the countries surveyed, 71% of people feel secure in their rights to their current home. In most countries (31 out of 33), renters are less likely to feel secure than owners and are generally likely to be the most vulnerable group, driving the level of insecurity in a given country (Table 1).

TOP FIVE FACTORS THAT INFLUENCE PERCEPTIONS OF TENURE SECURITY

Perceptions of tenure security are influenced by various factors. The top five are:

- 1. Previous eviction:** Experiences of eviction have the strongest effect on the perceptions of tenure security. Renters who have never been evicted are up to 15% more likely to feel secure. Renters and owners expecting to stay less than five years are more influenced by past evictions, suggesting this effect diminishes over time. Owners with formal documents (who already feel more secure) feel 7% more secure if they have never experienced eviction (+10% for renters). In general, formalisation and no experience of eviction are strongly complementary.
- 2. Awareness of rights:** The second most significant factor is knowledge of property rights and how to protect them. Overall, awareness of rights makes owners feel 8% more secure, while owners looking to buy in the next year feel 13% more secure if they know how to defend their rights. A similar effect is found among renters who expect to stay for more than five years.
- 3. Formal tenure:** Possession of formal titles only comes third in terms of the size of impact on perceptions of tenure security. It adds 6%, on average, to perceptions of security among home owners. However, there are vast differences across countries and institutional settings, as discussed below.

TABLE 1: KEY FINDINGS FROM THE PRINDEX SURVEY

	Owners	Renters	Urban	Rural	All respondents
Rights are perceived as secure	79%	52%	70%	72%	71%
Have at least one legal document to confirm formal tenure	80%	57%	66%	58%	62%
Have experienced eviction	9%	15%	10%	11%	10%

*** Groups with highest levels of insecurity highlighted in red*

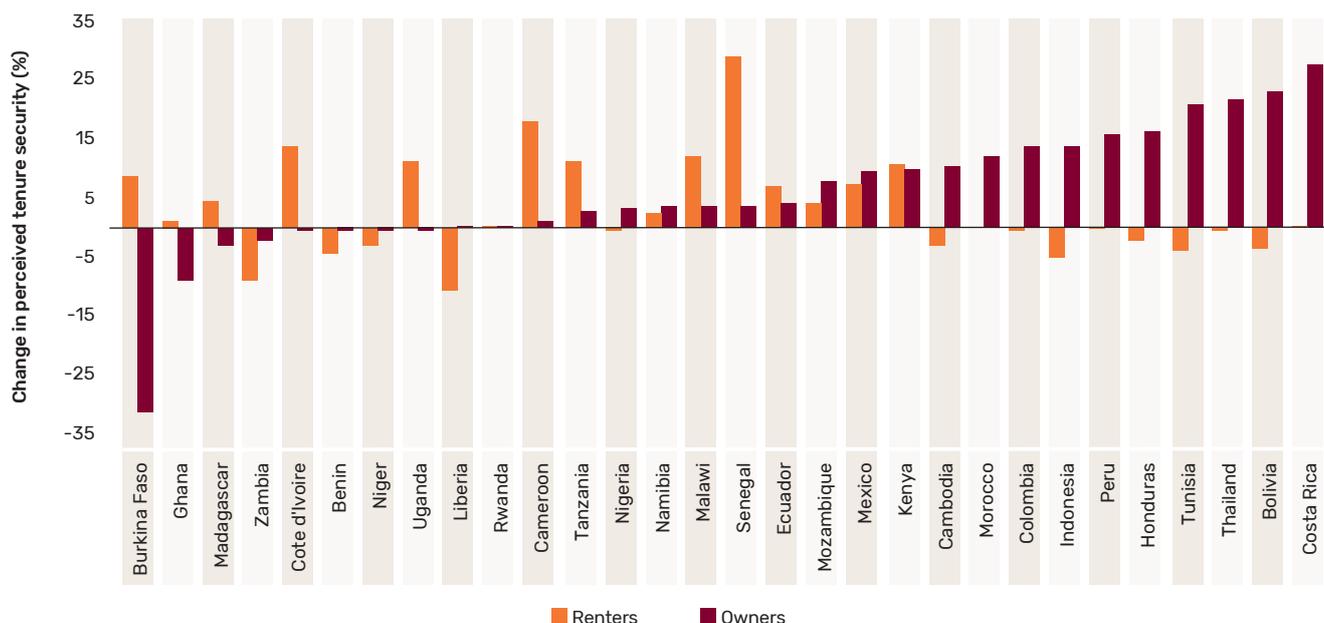
- 4. Education level:** Owners that have not completed primary education are 3% more likely to perceive their tenure as insecure than those with higher levels of education. This effect in isolation is relatively weak in a statistical and practical sense. However, incomplete primary schooling reduces the effectiveness of formalisation on owners by about 10%, suggesting that education helps owners appreciate their legal rights.
- 5. Trust in authorities:** Home owners who have confidence in local government are 2% more likely to feel secure. This effect is slightly higher among renters (3%). However, confidence in local government only has a positive influence on owners and renters looking to stay in the same property for more than five years. 78% of owners expect to stay more than five years in their property, compared to just 19% of renters. The effect is present primarily in rural areas, where renters benefit more than owners (7% vs. 4%).

Low income groups (-1% for owners and -5% for renters) and women (-3% for owners) also feel less secure than the rest of population, as do people living in apartments compared to houses with land. Population growth and the inflow of migrants are among the greatest external factors that make people feel insecure. However, these factors only have a small influence on perceptions of tenure security.

FORMAL DOCUMENTATION AFFECTS OWNERS AND RENTERS IN DIFFERENT WAYS IN DIFFERENT COUNTRIES

Formalisation has widely varying effects on perceptions of security in the countries surveyed. The effect also varies across forms of tenure. For example, in Burkina Faso, owners who possess formal documents are 32% less likely to feel secure; in Costa Rica, however, owners are 28% more likely to feel secure (see Figure 2). This varies widely by region. In both Latin America and South Asia, formalisation is associated with owners feeling more secure, whereas some of their counterparts in sub-Saharan Africa feel less secure. This is in line with an observed phenomenon dubbed the "Africa Effect" - that formalisation produces no additional benefits in some African nations. This may relate to the strength of customary systems in some areas. The effectiveness of formal tenure at a country level also tends to be negatively correlated between renters and owners (-26%), confirming that the two groups have competing rights.

FIGURE 2. EFFECT OF DE-JURE RIGHTS ON PERCEPTIONS OF SECURITY AMONG OWNERS AND RENTERS



Source: estimation of results based on prindex.net/data

Conclusions and recommendations

Perceptions are a proxy for how people assess risk on property markets and have a strong effect on wellbeing. Changing perceptions can therefore promote sustainable development.

The makeup of property markets varies greatly from country to country, affecting perceptions of security. Legal titling is associated with lower perceptions of security in sub-Saharan Africa, but makes owners feel more secure in South Asia and Latin America.

The links between formal rights, the actual practice of rights and perceptions of tenure security are affected by various factors. Eviction is the strongest factor, impacting renters and rural populations most. Other key

factors include awareness of rights, primary education, and trust in local government. Some of these factors (e.g. incomplete primary education and experience of eviction) limit the effectiveness of formalisation. The same can be said about the overall quality of governance. Understanding the interplay between these factors and rights would help inform more effective policy design.

RECOMMENDATIONS

1. **Improving perceptions of tenure security** should be a primary goal of policies aimed at improving property rights. Alongside formalisation, policy interventions should aim to reduce evictions, raise awareness of legal rights,

improve trust in government and boost primary education.

- Perceptions should be monitored.** Perceptions data can help shape policy interventions and provide immediate feedback on how effective they are.
- Variations across groups matter.** Rural and urban populations, as well as owners and renters, should be considered separately when assessing tenure security and designing interventions.
- Formalisation policies should **target the most responsive groups** first: new owners and urban populations. Positive spill-over effects will extend to other groups, such as women, renters and those living in rural areas.

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