PROPERTY RIGHTS, LAND MARKETS, AND POVERTY IN NAMIBIA'S 'EXTRA-LEGAL' SETTLEMENTS: AN INSTITUTIONAL APPROACH

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1.0 Introduction

Despite the fact that land and real estates assets comprise a significant proportion of the national wealth of most countries, these assets remain dormant or are under utilised in most developing countries (World Bank, n.d.). Thus there is clearly a need to investigate how the potential of land and real estate can be unlocked to aid the process of economic development and poverty alleviation in developing countries.

This paper represents work in progress of ongoing and wider research of urban land and real estate markets in Namibia. The research attempts to apply the conceptual tools of the New Institutional Economics, principally the theories of transaction costs and property rights, to the analysis of land and real estate markets in Namibia's 'extra-legal' urban settlements and how these markets interface with poverty alleviation.

In the context of this wider research, this paper has a number of more limited objectives. Firstly, an attempt is made to clarify in conceptual terms the link between property rights, transaction costs, property markets and poverty alleviation. Secondly the theoretical and empirical literature relevant to this subject is reviewed and critical knowledge gaps highlighted. Thirdly, the proposed Flexible Land Tenure System is briefly discussed and its potential contribution to the functioning of property markets in informal settlements analysed. Finally the paper presents preliminary survey information from some settlements in the City of Windhoek to illustrate the potential application of the institutional approach to analysing the interface between property markets and poverty alleviation.

The rest of the paper is organised as follows. Section 2 sketches out some background issues for context. Section 3 develops a conceptual framework that links land and real estate markets to poverty alleviation. This is followed in section 4 by a brief survey of the literature. The proposed Flexible Land Tenure is discussed thereafter in section 5. Preliminary survey information from some settlements in Windhoek is then presented in Section 6. The paper concludes in section 7 by articulating the research agenda.

2.0 Background

In surveying the urban landscape in developing countries, Jones (2003) draws attention to three 'transitions' currently underway, transitions which he says will set the context for research activity and policy formulation. The first one is increasing urbanisation of the developing countries, with many countries expected to have over 80 percent of their populations living in urban areas by 2025. Namibia's urban population is projected to rise to just under 60 percent in 2025, up from 41 percent in the year 2000 (Ibid, citing DfiD 2000). This of course means that the orderly development of urban areas is going to continue to be problematic, with the historical explosion of informal settlements set to continue unabated. Currently in most developing cities in Asia, Latin America, Sub-Saharan Africa and the Arab States between 25 and 70 percent of the urban population is living in irregular settlements (Durand-Lasserve and Royston 2002, 3). These figure are likely to increase.

The second transition refers to what Jones calls the urbanisation of poverty. Increasingly poverty is becoming proportionally more in urban areas.

"The number of poor people in urban areas in some countries is now increasing at a faster rate than in rural areas …. By 2025, it is estimated that two thirds of the poor in these regions [Latin America, East and Central Europe, Central Asia], and a third to almost half the poor in Africa and Asia will live in cities or towns. More than 90% of the urban poor already live in the South" (DfID 2000, 3 cited in Jones 2003).

The scale of the problem is immense. Up to 500 million people in developing countries live in absolute poverty, representing about 40% of all poor and 25% of the urban population (Jones 2003). The World Bank reportedly sees urban poverty in apocalyptic terms as the most significant and politically explosive problem of this century (World Bank 1991, cited in Jones and Ward 1994). And within urban areas, the map of poverty can be superimposed on informal settlements with a fair degree of accuracy (Durand-Lasserve and Royston 2002).

The third transition according to Jones is the greater prominence given to property rights in the development agenda. This transition is a natural consequence of the ascendancy of new institutional economics within economics thinking, with its emphasis on property rights and transaction costs. Thus, the ideas of leading proponents of property rights in developing countries - such as Hernando de Soto, the World Bank and UN-Habitat - are symptomatic of this transition. As a consequence, for example, land titling programmes have been implemented in many countries in the last few decades (Payne 2002).

Namibia is classified as a lower middle income country with a 1997 per capita income of US$2,220 (Hansohm 1999). This is relatively rich by African standards. This statistic however obscures the great inequalities in the distribution of wealth which exist in this country. It has been estimated that 5 % of the population earns more than 70 % of the national income with the poorest 55 % earning a meagre 3 %. On the consumption side, the richest 1% of households consume as much as the poorest 50% (Schade 2000, 111). Schade further observes that Namibia's Gini Coefficient of 0.701 (calculated in 1993/94) is the highest measured worldwide to date, indicating a highly unequal and skewed income distribution (see also Tvedten and Nangulah 1999). A large proportion of the population, therefore, live in abject poverty. Using food consumption ratio as an indicator, the incidence of poverty was estimated at 47 % in 1993/94 (Schade 2000, 113).

Schade (2000, 119) attributes the causes of poverty to high unemployment and *unequal distribution of assets*, *particularly land*, which in turn reflects the legacy of apartheid. Under this system, Black people were prohibited from formally owing land. Tvedten and Nangulah (1999) argue that poverty reduction can only be achieved if there is an active public policy of redistribution of assets, including land. In this context, the Namibian Government has been engaged in an ambitious land reform programme since independence from South Africa in 1991. While this programme is motivated mostly by a desire to address historical injustices, it is regarded by many as essential to the alleviation of poverty (Hansohm 1999).

The focus of land reform efforts in urban areas has been to provide secure property rights to thousands of Namibians who were deliberately denied these rights under apartheid. Also seen as needing secure property rights are the thousands of residents of squatter settlements that have proliferated after independence (Jacobs and Egumbo, 1996). These often lead precarious lives amidst immense poverty on the periphery of urban areas (Peyroux, 1995).

A key policy innovation is the proposed 'flexible land tenure system', which has been piloted in some urban settlements. The system will be scaled up to the rest of the country as soon as the legislative framework is in place. Briefly, the flexible land tenure system is a three-tiered approach to granting of full (freehold) property rights. The system is expected to be quicker and cheaper in its procedures than the current formal system. It is conceived as a low-cost approach to the provision of full freehold rights to those Namibians who at present own property 'extra legally'. The system is 'step-wise' and the entry level or movement between levels is dependent on one's ability to pay for required services after agreement with other residents. It aims to be a bridge or ladder between informal and formal property rights, between collective and individual ownership. A fuller discussion of the flexible land tenure system follows in section 5.

3.0 Conceptual Framework

3.1 The New Institutional Economics

In his path-breaking book, *The Mystery of Capital*, Hernando de Soto uses the analogy of nuclear fission to emphasize the enormous latent value of real estate, which can be unlocked to fight endemic poverty in developing countries, the trigger being appropriate formal ownership regimes. De Soto's work is an example of the application of property rights theory, which in turn is a key part of what has been called the New Institutional Economics (NIE). The purpose of the NIE is both to explain the determinants of institutions, such as property rights, and their evolution over time and to evaluate their impact on economic performance, efficiency and distribution (Nabli and Nugent 1989 cited in Kherallah and Kirsten 2001). A central proposition of the NIE is that institutions matter and that they are amenable to economic analysis (Mathew 1986, 903 cited in Williamson 2000, 595; Williamson 1990, cited in Pratten 1997, 782).

The NIE is based on a few concepts " that are logically coherent and that provide powerful tools for delineating the questions to be explained and for shedding light on a large set of facts and relationships among these facts" (Menard 2001, 86). The central ones (and those directly relevant to this study) are theories of property rights and transaction costs.

3.2 Transaction Costs

There appears to be no consensus in the literature on the exact meaning of "transaction costs." There is however a lot of common ground. Eggertsson (1990, 14) defines transaction costs as the costs that arise when individuals exchange ownership rights to economic assets and enforce their exclusive rights. This is close to Demsetz's definition where transaction costs are referred to as the cost of exchanging ownership titles (1988, 64) and to Barzel's, (1989, 2), who see them as costs associated with the transfer, capture and protection of rights. North on his part (1990, 27) says that transaction costs consist of the costs of measuring the valuable attributes of what is being exchanged and the costs of protecting rights and policing and enforcing agreements. These definitions broadly capture the sense in which transaction costs are conceived in this study.

There are several types of transaction costs but in this study we are interested in those costs arising from the need to use the market system, such as in land and real estate markets. These market transaction costs arise principally due to information problems. As Eggertsson (1990, 15) puts it, when information is costly, various activities related to the exchange of property rights between individuals give rise to transaction costs. Eggertson lists these costs as follows:

- The search for information about the distribution of prices and quality of commodities…, the search for potential buyers and sellers and for relevant information about their behaviour and circumstances.
- The bargaining necessary to find the true position of buyers and sellers.
- The making of contracts.
- The monitoring of contractual partners to see whether they abide by the terms of the contract.
- The enforcement of a contract and the collection of damages when partners fail to observe their contractual obligations.
- The protection of property rights against third party encroachment.

Furubotn and Richter (1998, 44ff) condense the cost of using the market into three categories: search and information costs, bargaining and decision costs and supervision and enforcement costs.

High transaction costs cause market failure. In order for exchange to take place, the gains from the exchange must be significantly higher than the cost of exchange. Thus if the transaction costs are too high, exchange will not take place or will be severely constrained (Eggertsson 1990, 16), and we speak of market failure. Alternative ways of resource allocation, such as state provision, then become necessary. That is why the analysis of transaction costs is important to the understanding of markets and the role of the state.

3.3 Property Rights

Property rights of individuals over assets consist of powers to consume, obtain income from, and alienate these assets (Barzel 1989, 2). According to Furubotn and Richter (1998, 72) the rights to an asset "consist of the rights to use it, to change its form and substance, and to transfer all rights in the asset, or some rights, as desired". Eggertsson identifies three basic categories of property rights. First there are user rights, which determine what an individual can legitimately do on his property. Second there is the right to earn an income from an asset and to engage in contracts with others for this purpose. Third, there is the right to alienate or sell ownership rights over an asset to others (Eggertsson 1990, 34).

Economists concerned with property rights often consider any restrictions on those rights, called 'attenuation of rights' to be undesirable (Barzel 1989; Eggertsson 1990). As Barzel goes on to explain a person's ability to realise the potential value of property depends on the extent of their property rights, which as discussed above consist of the ability to use (and exclude), to alienate, and to derive income from the property. The ability, or power, to exclude prevents the property from becoming common property, and the ability to alienate and to derive income permits the realisation of gains from exchange. Since restrictions, in general, reduce freedom of action, restrictions on a person's property rights reduce the value of the property to its owner (Alston *et al* 1996; Barzel 1989), making such restrictions appear to be harmful (Barzel 1989, 85). The implication of this in terms of real estate is the promotion of unregulated markets and of freehold ownership.

Well-defined and secure property rights are seen to be the *sine qua non* for the emergence and continued function of decentralised markets, and the efficient use of resources. Firmin-Sellers (1996, 1) notes that insecure property rights to land inhibit economic growth. Individuals demand or value property rights because they allow them to capture potential benefits accruing from resources. The actual benefits are a function of the property rights one possesses; the more property rights one possesses over a resource, the greater is the value of a resource. The argument for secure rights with respect to land, as an example, can be stated as follows (Alston *et al* 1996, 32): the more secure one's property rights (1) the more secure is the future rental stream that the land produces, (2) the better one is able to use land as collateral and (3) the larger is the market for sale. Well-defined and secure property rights therefore stimulate demand for resources, encourage investment, promote markets and have positive effects on asset values.

Realising the potential value of an asset presupposes exchange. To the extent that high transaction costs prevent or severely constrain exchange, this potential cannot be realised. The conventional wisdom is that well-defined property rights lower transaction costs. Indeed there is a widely held view that high transaction costs arising from defective formal property rights account for the underdevelopment of most developing countries. North (1990, 67) puts it as follows:

"When we compare the cost of transacting in a third world country with that in an advanced industrial economy, the costs per exchange in the former are much greater- sometimes no exchange occurs because costs are so high. The institutional structure in the third world lacks the formal structure (and enforcement) that underpins efficient markets. However frequently there will exist in third world informal sectors (in effect underground economies that attempt to provide a structure for exchange. Such structure comes at a high cost however because the lack of formal property right safeguards restricts activity to personalised exchange systems that can provide self enforcing types of contracts".

This is a key argument in Hernando de Soto's *Mystery of Capital*. De Soto (2000) argues that informal property rights in third world countries prevent the emergence of impersonal exchange systems he sees as necessary to unlock the 'dead capital' locked in the immense real estate holdings. He advocates a formalisation of property rights as a necessary condition for fighting poverty in these countries.

3.4 Linking Urban Land and Real Estate Markets and Poverty- A Conceptual Framework.

One of the distinguishing features of land and real estate markets in comparison to other markets are relatively high transaction costs (Liu *et al* 1990; Clapp *et al* 1995). Transaction costs in property markets can be broken down into three categories (after Furubotn and Richter 1998, 44). These are search and information costs, bargaining and decision costs, and supervision and enforcement costs

As we have argued above, realising the latent benefits of real estate presupposes exchange in the capital, rental or development markets. We have made the point that high transaction costs may cause markets to fail or not to function well. Well-defined and secure property rights for their part play an important role in creating incentives, lowering transaction costs, increasing demand for and investment in real estate. All these have potentially the effect of fostering exchange in real estate markets and enhancing social and economic welfare.

As Alston and others emphasize, real estate is often the major, if not only, asset held by the poor and " their ability to claim and sell land and then to move on to settle, claim and sell yet again and again is a critical element in social and economic advancement" (Alston *et al* 1999, 10). Through this process, according to the authors, individuals eventually accumulate enough wealth to stay on site permanently. The key in this process is property rights. The authors argue that secure tenure allows the development of wider markets, encouraging land to be used for highest-valued uses and allowing owners to capture capital gains from sales (Alston *et al* 1999, 3). The authors also make the point that if property rights are enforced, uncertainty of control is reduced, allowing individuals to focus on productive activities, instead of spending scarce resources on defending their claims. All this has salutary effects on poverty alleviation.

The context is settlement on the Amazon frontier, but the principle has clear relevance to the urban poor in most developing countries, where the desirable end-state may be full integration into the formal sector. Research in urban settlements of Ecuador, Hungary, the Philippines and Zambia for example show that housing is by far the most important productive asset held by urban poor (Moser 1998). In many ways, informal settlements can legitimately be conceived as frontier regions for new immigrants, being a point of entry into the formal urban economy (see for instance Berner 2000). While Alston and others emphasize property rights in their analysis, transaction costs are equally important as it is these which ultimately determine if markets will function well.

We concur with Jones exhortation that research based on robust theoretical and empirical platforms needs to demonstrate more clearly the links between land markets and poverty alleviation (Jones 2003). Conceptual tools of the New Institutional Economics (NIE), principally theories of property rights and transaction costs, provide an appropriate framework for such research

The thesis of this paper is that both (relatively) high transaction costs and inappropriate and/or inadequate property rights configurations account for the failure to unlock the potential of real estate to create wealth. The contention is that relatively low transaction costs and secure property rights in real estate markets are a necessary (but not sufficient) condition for the unlocking of the potential of real estate to alleviate poverty. These two factors create conditions that make it possible for large numbers of secure and impersonal transactions in a decentralised market to take place.

Contrary to conventional wisdom, however, we argue that higher transaction costs and insecure property rights are not an inevitable feature of informal land and real estate markets. Antwi and Adams (2003, 69) puts this argument succinctly thus:

> "From one's understanding of the economics of property rights, there are no automatic reasons why insecurity and lack of clarity of property rights should result simply because transactions are organized informally. Indeed informal transactions may predominate precisely because this mode of organizing transactions may be better attuned to available opportunities. This would be the case if the costs of organising transactions differently far outweigh the benefits…"

Indeed, many studies (for example Antwi and Adams 2003; de Soto 2000; Omirin and Antwi 2004) have shown that navigating the formal system may be too costly for the poor. In the context of property transactions, the formal system prescribes the use of lawyers, conveyancers, and other professionals who come at a cost. In addition there are costs arising from bureaucratic procedures such as delays and corruption. If these costs are excessive, activities will be driven into the informal sector. Thus, informality may be an optimal solution to the complications of the formal legal process (de Soto 2000; Pamuk 2000).

On the other hand informal land markets are not without their own problems. Fekade (2000) for instance notes that participants in informal markets are faced with problems such as conflicting and unrecorded ownership claims, multiple sales of the same property and other costs arising from insecurity of property rights. In similar fashion, Kironde (2003) observes that while the informal land market is credited with supplying land at low cost, it exhibits a number of problems, principally high transaction costs and defective property rights. These, according to Kironde, include lack of information on land availability relying on communication by word-of-mouth, considerable possibility of fraud, and lengthy negotiations. In addition he argues that there is no general framework for setting land prices and that land acquired has no official title. Kironde offers no empirical support for these conclusions but nevertheless highlights issues that are of interest.

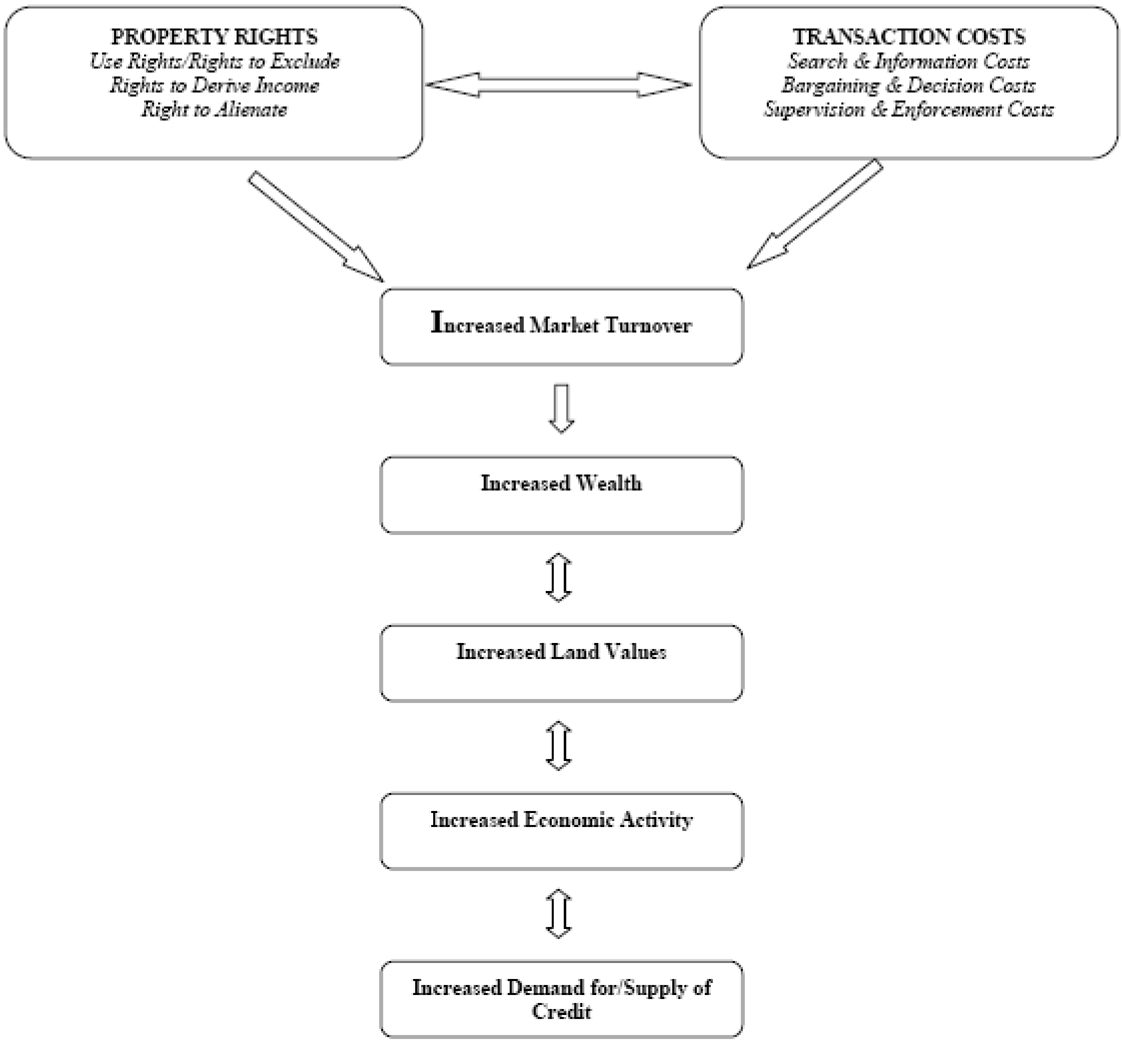
The question of the relative levels of transaction costs and security of property rights, as well as their effects on property markets and incentives, is therefore a matter of empirical investigation in each specific case. This forms the *raison d'être* for this research.

The link between property rights, transaction costs, real estate markets and poverty alleviation is illustrated in the figure below. As the figure indicates, there is a dynamic two-way relationship between property rights and transaction costs. Well defined, secure and well enforced property rights reduce transaction costs- by clarifying property boundaries, validating ownership rights and making those rights easily transferable (Lanjouw and Levy 2002). The need for extensive search of ownership is, thus, obviated (Pamuk 2000). Similarly it reduces resources spent on private enforcement (Field 2003). Low transaction costs for their part stimulate the demand for secure property rights as a prerequisite for engaging in market exchange.

Secure property rights and low transaction costs are predicted to increase market turnover, by expanding market depth and making it easier for exchange to take place. Increased market activity provides opportunities to realise capital gains, as well as gains from the letting and development markets. This, in turn, should increase aggregate wealth, resulting in increased demand for, and values of assets including real estate. Increased aggregate wealth and higher land values should stimulate increased general economic activity, increasing the demand for credit and therefore the need to use real estate as collateral. A self-reinforcing virtuous cycle should then kick in.

Crucially, all these outcomes are predicated on the existence of facilitative institutional arrangements/regulatory frameworks.

Figure 1. Property Rights, Transaction Costs, Land Markets and Poverty Alleviation: A Conceptual Framework.



It will be noted from our illustration that the demand for credit (and therefore the need to use real estate as collateral) will only reach significant levels once a certain threshold of economic activity has been attained. As many studies have shown, the demand for formal credit in informal settlements for purposes other than consumption is low (Smith 2003; Ward 2003). This can be explained by the lack of opportunities to invest such credit. Deininger and Binswanger (1999) note that titling will confer benefits, but only under conditions where informal land transactions are common, a credit market that permits the use of title as collateral exists and profitable investment opportunities exist. The latter two conditions are likely to be absent in many informal settlements. Credit supply depends on the lenders' confidence that they can foreclose (Smith 2003). However for cultural and economic reasons it may not be possible to repossess land as a consequence of default, rendering conventional credit markets impossible.

The emphasis in some of the literature on the link between formal property rights, access to conventional credit and improved welfare is therefore premature. The immediate task is to increase turnover in markets. This of course means directing attention to those factors that impede exchange. The key therefore is to gain a better understanding of transaction costs in informal real estate markets and how they are mediated before taking prescriptive action. This means examining how formal and informal institutional arrangements work to facilitate or hinder the functioning of land and real estate markets in informal settlements. Property rights, due to both their incentive effects as well as their effects on reducing transaction costs, are clearly important.

Following on from our conceptual framework, land and real estate markets in informal settlements will need the following attributes if they are to be a tool for poverty alleviation:

- Well defined, secure and enforced property rights
- Liquidity i.e. frequent numbers of impersonal transactions
- Low levels of uncertainty with regard to individual transactions
- Low levels of transaction specific investment, such as security deposits.
- Facilitative regulatory framework/institutional arrangements.

This conceptual framework is consistent with, and dovetails with the emerging consensus in conceptualisation of poverty, the so called vulnerability/capital assets framework. Under this conceptualisation, poverty is seen as "vulnerability to insecurity, impoverishment and reduced self-respect of households which lack assets that they can mobilise and manage in the face of hardship (Rakodi 1999; Moser, 1998). Poor households are seen to be managers of portfolios of assets, which constitute a stock of capital that can be stored, accumulated, exchanged or depleted and put to work to generate a flow of income or other benefits (Rakodi 1999). These assets include tangibles such as labour and human capital, housing and largely intangible assets such as household relations and social capital (Moser 1998).

According to Rakodi (1999) the crucial determinants of households' ability to achieve increased well-being are their access to these capital assets and the effects of external conditioning variables which constrain or encourage the productive use and accumulation of such assets. Moser (1998) goes on to point out that operationally the vulnerability/capital assets framework facilitates interventions promoting opportunities, as well as removing obstacles, to ensure the urban poor use their assets productively. "In those urban contexts where the poor are systematically excluded from formal sector jobs, and the capacity of macroeconomic growth strategies to generate additional jobs is limited, the removal of tenure-insecurity related obstacles that prevent or constrain households from using their housing effectively as a productive asset is possibly the single most critical poverty reduction intervention" (p. 11).

4.0 Literature Survey

The 'popular economics' of Hernando de Soto is perhaps a fitting place to begin a survey of the literature. In the words of Jones (2003) de Soto has placed a well-known discussion of property rights, legal reform and state intervention into an anti-poverty discourse. The central message in de Soto's *Mystery of Capital* is that the poor in developing countries possess immense resources, but they hold these resources in defective forms. "Because the rights to these possessions are not adequately documented, these assets cannot readily be turned into capital, cannot be traded outside of narrow circles, where people now and trust each other, cannot be used as collateral for a loan and cannot be used as a share against an investment (de Soto 2000, 6).

De Soto describes these resources as 'dead capital' to emphasise the point that they cannot be deployed to create wealth. In describing the 'undercapitalised' informal sector which is the abode of this dead capital de Soto (2000, 29-30) says: " It is a world where ownership of assets is difficult to trace and validate and is governed by no legally recognised set of rules; where the assets' potentially useful economic attributes have not been described or organised; where they cannot be used to obtain surplus value through multiple transactions because their unfixed nature and uncertainty leave too much room for misunderstanding, faulty recollection and reversal of agreements. Where most assets in short are dead capital".

In more formal terms de Soto is arguing that ill defined and enforced property rights result in high transaction costs, thereby impeding the development of impersonal exchange systems necessary for the creation of surplus value. In practical terms de Soto is advocating the formalisation of property ownership in the 'extra-legal' sector, and the simplification of the formal procedures for granting formal property.

Perhaps not unexpectedly, considering the polemical nature of his discourse, de Soto's arguments have elicited some fairly robust criticism. For example the methodology used to arrive at the estimate of the amount of 'dead capital' remains obscure and of doubtful validity. Payne (2002, 11) argues that that de Soto fails to provide any empirical evidence to support the posited causal relationship between the development of property rights and increasing prosperity of the West. There have been calls for empirical validity of de Soto's arguments, noting that interest among the poor in possessing property title have been found to be quite low, the security of such title overrated and the necessity of title to extend a finance market for reasons other than consumption largely unproven (Jones 2003; Smith 2003).

It is perhaps apposite to state that for our part we share de Soto's theoretical framework but not necessarily his conclusions, which properly must be subjected to empirical verification.

A major research project commissioned by the UK government's Department for International Development (DfID), and recently completed, had as its main aim to test de Soto's thesis of a linkage between property rights and poverty (Home and Lim 2004). Teams of researchers undertook empirical work in peri-urban areas in Botswana, Trinidad and Zambia. The overall results with regard to the main aim of the research project can be fairly described as ambiguous.

This project, the only one to the best of our knowledge with such an objective, directly engages with the main aim of this research and therefore deserves a detailed review. The study found little evidence of market activity in peri-urban plots “with plot-holders more likely to pass their land to relatives…than sell” (Home and Lim 2004). This finding is consistent with the observation by Doebele (1994) that anecdotal evidence suggests that real estate markets in informal settlements are not well developed despite considerable *de facto* security of tenure. Home and Lim attribute this to “resistance to market pressures”, resulting from the conception of land as a security and welfare support rather than as a tradable asset. The conclusion here appears to be that de Soto's ideas cannot work because, for social reasons, people will not participate in the market even if they are granted formal property rights. An equally plausible explanation for little market activity on the other hand, which the authors do not address either theoretically or empirically, is the possibility of high transaction costs in these markets.

Another major finding of the research is that there is widespread aversion to the use of land as collateral. According to Home and Lim (2004) land tenure regularisation is supposed to facilitate access to finance but the plot holders in all the three countries were reluctant to pledge title deeds in case they lost their land. This finding is also consistent with results elsewhere. In our view, the emphasis in the literature, including from de Soto, on the value of real estate as collateral for accessing formal credit is misplaced and premature in many cases. It must be noted however that a finding of risk aversion to mortgages is not the same as finding that formal credit is not beneficial to poverty alleviation efforts.

The study could be criticised on methodological grounds. The research adopts an essentially anthropological approach to address a question whose theoretical substrate is in economics. Because de Soto writes in a 'popular' style, the fact that his ideas are grounded in a strong theoretical framework remains obscure. Those not fully conversant with this theoretical framework are therefore likely to deal with de Soto's ideas rather superficially. The research team of land surveyors, planners, a lawyer and a social anthropologist would have benefited from the added perspective of a land economist. The research thus missed a valuable opportunity to examine the land market process in these peri-urban areas, and thereby help to illuminate an area that has not been well studied (Antwi and Adams 2003; Gough and Yankson 2000; Kironde 2000; Payne 1997).

Moving further afield, “the influence of property titles as outlined in the existing literature has focused almost entirely on three outcomes established in a paper by Besley (1995): gains from trade in land, greater investment incentives, and improved credit access” (Field 2003; also Smith 2003). Alston *et al* (1999) see the promotion of market formation as one of the primary outcomes of a property rights regime. According to the authors, clear and recognised property rights have three salutary effects. Firstly, they assist in attracting buyers, thus supporting wider markets. Secondly, they allow owners to focus scarce resources on productive activities rather than on defending their claims. Thirdly, they promote investment by creating incentives for longer term planning horizons on one hand and making mortgage finance feasible. Deininger and Binswanger (1999) and Deininger and Chamorro (2004) for their part list reduction of private enforcement activities, greater incentives for investment, access to credit and increased transferability of land as the key benefits of secure property rights. Formal property titles reduce information asymmetry about land ownership and quality or transaction costs generally, thus encouraging the development of wider markets.

Consequently property titling is increasingly considered an effective form of government intervention for targeting the poor and encouraging economic growth in urban areas (Field 2003). It is seen as the main instrument for increasing land tenure security, stimulating land markets and facilitating the use of land as collateral in credit markets (Lanjouw and Levy 2002; Deininger and Binswanger 1999; Deininger and Chamorro 2004). Ward (2003) list the positive outcomes associated with full property title regularisation, reflecting conventional wisdom in this area, as follows:

- Provides security against eviction.
- Brings people into the market from which they can benefit by free sale at full market price.
- Raises land values.
- Provides incentives that stimulate investments in home improvements and consolidation.
- Makes possible the introduction of basic services such as electricity and water.
- Generates greater access to credit by using the home as collateral on loans.
- Incorporates residents into the property-owning democracy and citizenry.
- Integrates settlements and property into the tax and regulatory base of the city.

It will be apparent that many of these outcomes would potentially have the effect of reducing poverty. Results of empirical research addressing the effects of formal property rights are however mixed. "The assumption that markets that are 'formal' or 'regularised' are more efficient and productive is not yet proven. On the other hand, some of the literature argues that 'informality' and illegality reduce the costs of land and housing for the urban poor. Others argue that as long as the poor are insecure as to the legal status of their homes, their major assets in life, they will never enjoy full access to the economic and political system. One of the most interesting reviews of this issue ... concludes that the current state of research does not permit prediction of whether a more formalised land market is likely to benefit or harm the poor" (Doebele 1994, 52).

Research by Alston and others in the Brazilian Amazon frontier show that title is ' a vital institution in promoting investments and in expanding markets' (1999, 8). Title was seen to significantly increase land values and wealth, and to create incentives for long-term planning. Though this was in the context of settlements in the frontier regions of the Brazilian Amazon, the results have relevance to urban settlements where successive waves of immigrants are analogous to frontier settlers and where land can be an important means for capital accumulation.. Urban informal settlements are in many respects a frontier region, juxtaposed as they are between the formal and informal, the rural and the urban.

Besley (1995) reports on his investigation of the relationship between investment and land rights in Ghana. He tests the hypotheses that (1) security of tenure encourages investment, that (2) security of tenure makes access to formal credit easier (encouraging investment as a result of increased demand as well as lower interest rates), and that (3) there are gains from trade arising from easier transfer of rights in the capital and rental markets (superior transfer rights are modeled as lowering the cost of exchange). Besley finds that the data are supportive of his models (p.910). Besley concludes that better rights to land encourage or facilitate investment but these need not be formal transferable rights (Rakodi 1999).

Much cited research on small scale farmers in Thailand by Feder and Onchan (1987) and Feder and Feeny (1991) found that formal titles and collateral play an important role in economic development (Alston et al 1999). With regard to their impact on land values Lanjouw and Levy (2002) find that in urban Ecuador the effect of land title was to raise values by almost 24 per cent. These results have been corroborated by Kim (2004) who found out that in Vietnam properties with legal title transferred on average between 3 - 10 per cent higher than those with incomplete rights. Similar findings are reported for Nicaragua where receipt of registered title was found to increase land values by 30% and at the same time greatly increase the propensity to invest (Deininger and Chamoro 2004). Evidence from Peru suggest that households in titled communities devote fewer human resources to informal property protection, both at the household and the community levels, and more resources on productive activities outside the home (Field 2003, 4).

While there has been much attention placed on property rights, literature that has as a central focus the study of transaction costs in informal real estate markets is rather thin. This could be explained by the well-known problem that transaction costs are notoriously difficult to observe, let alone measure. Gough and Yankson (2000) show evidence from Ghana of markets bedeviled by high transaction costs, with numerous disputes arising due to lack of documentation and poor boundary definition and ill defined property rights, though this is tempered by the high cost of formalisation. Results from Tanzania also make allusion to informal markets ham-strung by lack of information, considerable possibility of fraud, and lengthy negotiations (Kironde 2000).

Results from other research however has not been wholly supportive of the posited benefits of formal property rights to land, taking issue with the often *a priori* assumption that lack of formal title has a negative impact on informal land markets (Antwi and Adams 2003; Ward 2003). Evidence from a study of informal transactions in Ghana found out that most of them were the optimal solution in an environment where the formal system is riddled with excessive bureaucracy and cost, and the resulting formal property rights of limited value (Antwi and Adams 2003). Ward (2003) argues that informal land markets are far from sluggish but rather dynamic with free exchange. It is precisely the informality and poor serviced status that makes housing in informal settlements affordable in the first place (Doebele 1994; Ward 2003). Ward argues that housing is firmly entrenched as a commodity within the marketplace in informal settlements, albeit a less regulated one. Ward further notes that it is not only legality and secure property titles that prime the marketplace as de Soto seem to argue. In both formal and informal land markets, regulation and restrictions sometimes can, and do, severely inhibit rational development and urban productivity. With regard to the former, the policy ambiguity, procedural complexity and prohibitive cost involved in obtaining titles which legalize ownership of urban land has forced the urban land market to further proceed in the informal or illegal way (Fekade 2000, citing McAuslan, 1985, p. 8).

Durand-Lasserve (2003) points to research in (rural) South Africa that seems to suggest that individualisation of tenure has been found to increase inequality and landlessness, to have little or no impact on the mortgageability or productive use of land, to fall into disrepair after the first set of transfers, and to lead to ever increasing fragmentation of land parcels. Smith (2003) on the other hand argues that tenure security's apparent inability in much of Africa to increase credit use is traced to poorly functioning and under-capitalized credit markets; inadequacy of the observed range of land rights and enforcement thereof to inspire confidence in lenders; and risk aversion on the part of producers.

Razzaz (1993) presents results from Jordan that cast doubt on the assumed causal relationship between formal property rights, security of tenure and land investment. Kironde (2000) finds that titles in settlements around Dar es salaam, Tanzania, does not result in significantly higher land values.

The point to underline here is that one must not make a priori assumptions based on notions of formality or informality. Some authors have even questioned the usefulness of maintaining this dichotomy. Elsewhere, research from urban Ecuador suggests that the effect of formal property rights on economic behaviour and welfare depends on an informal source of those rights (Lanjouw and Levy 2002). Institutionalists acknowledge that the interaction between the two are important (see for instance North 1990), and must be taken into account when designing formal property rights. The extent to which informal institutions reinforce or contradict formal property rights systems is crucial in explaining the success or failure of the latter. It is common knowledge that formal property institutions in much of Africa are not indigenous, having been imported from the West as a result of colonialism.

According to Lanjouw and Levy (2002) the key distinction is not whether property rights are formal or informal but rather whether they are transferable or not. Thus stronger rights to the extent that they are not transferable may make it difficult to engage in transactions. On the other hand evidence from Vietnam shows that real estate markets can function very well even with incomplete legal property rights, (Kim 2004). This underscores the importance of empirical research to try and provide answers.

Overall, a survey of the literature reveals a number of gaps. The major problem identified is lack of basic information regarding the functioning of urban land markets in Africa and other developing countries (Antwi and Adams 2003; Gough and Yankson 2000; Payne 1997). This is particularly the case for informal settlements. Basic questions, for instance, about the numerical size of the informal sector, the volumes of transactions, sums of money involved, the amount of land changing hands, the general pattern of the distribution of land transactions, land prices, or land values have not been satisfactorily answered (Doebele 1994; Kironde 2000). We remain relatively ignorant about the behaviour of the actors, the incentives and constraints they face, the cost of exchange that they incur and the mechanisms by which exchange is facilitated.

In particular little systematic attention has been placed on the role of informal institutions that allow markets to function regardless of government regulations (Pamuk 2000; Rakodi and Leduka 2003). Formal real estate markets rely on a host of institutional arrangements, organisations and actors to structure and facilitate exchange (see Keogh and D'Arcy 1999, Jaffe 1996). These include statutes, land registries, listing agreements, contracts, estate agents, conveyancers, lawyers and so on. Informal real estate markets on the other hand are defined by the absence of many of these. It is therefore of interest to find out how the problem of exchange is resolved in institutional terms and the resulting incentives and constraints. Without this knowledge it becomes difficult to see how these markets may aid poverty alleviation and to make prescriptions for improvement.

Another problem identified is that many of the studies are not informed by rigorous theoretical frameworks. For this reason Deobele (1994, 54) argues that "stronger discipline should be imposed on the growing number of case studies to prevent them from being particularistic descriptions, which resist generalisation and thus reduce their potential for predictivity".

5.0 Proposed Flexible Land Tenure System

It is estimated that the total number of families living in informal settlements without secure tenure in Namibia is around 30,000 out of a population of just under 2 million (Durand-Lasserve 2003). Local authorities accept the informal settlers, but would like to formalise the areas so that the residents get formal rights and the local authority can collect taxes and charges for utilities (Republic of Namibia 1997).

To respond to the demand for secure tenure, the development of a flexible land tenure system has been devised (Durand-Lasserve 2003), and a final draft of the legislation has been published. According to the final draft of the Flexible Land Tenure Act, the objectives of the act are three fold (Republic of Namibia 2004). The first objective is to create alternative forms of land title that are simpler and cheaper to administer than existing forms of land title. The second objective is to provide security of title for persons who live in informal settlements or who are provided with low-income housing. The final objective is to empower the persons concerned economically by means of these rights. A reading of these objectives suggests that the provision of property rights to inhabitants of informal settlements is seen as a means to the end of improving their economic welfare.

A new statutory form of tenure is proposed for housing blocks ('block erf') consisting of up to 100 families (Durand-Lasserve 2003, Republic of Namibia 1997). The blocks in question will in practice be carved out of underlying land that is owned under freehold by mostly local authorities but settled informally. Once the block has been hived off, it will be registered in freehold ownership in the main Windhoek Deeds Office in the name of either the local authority or any other entity which may assume ownership by purchase or grant. The underlying owner's title will however be effectively sterile as they will be precluded from ordinarily exercising their full range of rights. The rights of the residents of these 'block erfs' will take precedent.

The Flexible Land Tenure introduces two types of property rights, 'land hold title' rights and 'starter title' rights. Starter title rights are the entry level rights and provide the holder with the right to perpetual occupation of a site within the block and the right to transfer or to otherwise dispose of the right. The most significant effect of the starter title would be to give security of tenure in perpetuity for those residents of informal settlements who are at present occupying land that does not legally belong to them.

Land hold titles are of a higher order and confer on the holder all the usual rights of ownership under the common law. Crucially, it will be possible to mortgage these titles and therefore provide the basis for the development of credit markets.

Upgrading from starter title to landhold title or eventually to freehold ownership will be possible depending on the resources available to and the wishes of the concerned groups. Thus the system is a stepwise and flexible approach to the provision of full freehold property rights.

The Act in section 4 makes provision for the creation of institutions called Land Rights Offices. These are expected to be the lead implementing structures for the Flexible Land Tenure. They are envisaged to be decentralised land registries and are expected to provide low cost land management services to informal settlements. They are expected to maintain registers, give advice to parties on all aspects of permitted transactions, archive all relevant documentation such certificates of title and deeds of transfer, attend to land disputes etc.

The Flexible Land Tenure System is expected to be cheaper and simpler than the present system of formalising property rights. One of the problems with the current system is that it requires accurate but expensive survey work to be done by licensed land surveyors. The shortage of surveyors in the country means that their services are costly and that there is a huge backlog of work. It is envisaged that under Flexible Land Tenure survey standards with regard to internal subdivisions of ‘block erfs’ will be relaxed, making it possible for 'land measurers' (survey technicians) to undertake such subdivisions. The Polytechnic of Namibia has since started a training programme for such survey technicians. The cost of survey is therefore expected to come down by the twin effects of increased numbers of trained survey technicians and lower survey standards.

Another source of potential cost savings is the dispensing with the requirement for conveyancers or legal practitioners in order to effect transactions such as sales. The Land Rights Offices are expected to assume some traditional functions of legal practitioners with respect to land transactions. In addition transactions will be much simplified by the use of standard forms, such as certificates of title, sale or lease contracts. Land Rights Offices are expected to be located as close as possible to the informal settlements which should improve accessibility, and therefore reduce costs, for the low-income groups.

There is a good deal of scepticism regarding whether the Flexible Land Tenure can deliver a significantly cheaper and simpler system of land registration in Namibia. Critics have argued that survey and conveyancing costs tend to be a relatively small proportion of the total cost of land registration and that in any case the proposed system does not hold much promise for cost reduction in this respect. In the absence of empirical data, it is difficult to gauge the soundness of this argument. However it must be pointed out that the Flexible Land Tenure System aims to encroach into the traditional turf of professions such as land surveying and property conveyancing. Some of the more robust criticism has come from these professions and, in this context, must be seen as a natural reaction.

A critical reading of the draft Flexible Land Tenure Act does reveal that the legislation prescribes fairly elaborate procedures for the creation of starter and/or land hold titles, and for upgrading these. Thus, for example, feasibility studies must be carried out, the 'block erf' surveyed and subdivided etc. Further the land may have to be purchased from the current owners. The creation of Flexible Land Tenure will, therefore, not be without cost, even if these costs are expected to be significantly lower than under the current system. It is not clear at the moment who will bear these costs. Informal settlers are clearly not in a position to make much more than token contributions.

These points of concern notwithstanding, it is our view that the Flexible Land Tenure System is potentially a powerful tool in the fight against urban poverty. Both theory and a critical body of empirical literature have demonstrated the effect of better property rights in providing incentives for economic development and poverty alleviation (see review in section 4).

Of perhaps greater importance is the role that the proposed system could play in reducing transaction costs in informal real estate markets, consequently increasing market activity. Settlement level Land Rights Offices could play an important role in providing reliable information to market participants. They could serve as clearing houses or information centres. In addition to the obvious roles of issuing certificates of title and validating ownership claims, they would take the roles of conveyancers, estate agents and valuers. They would thus help draw contracts, give legal advice, bring buyers and sellers together, host information on available properties and prices as well as attend to disputes. This should greatly help to reduce the uncertainty and information costs associated with exchange in markets that are not well served by equivalent institutions.

Running Land Rights Offices is going to cost, and in this era of 'cost recovery' the temptation may be to pass on the cost to the 'beneficiaries'. This may be counter productive. These Offices should be seen in the context of Government responsibility to create an 'enabling environment' for markets to work better and therefore are legitimate areas for public expenditure. As Deininger and Binswanger (1999) argue, the provision of market information systems is one area suitable for government intervention. Such systems should reduce transaction costs by improving the availability of information about land prices and markets. According to the authors, these systems would expand participation in sales and rental markets thereby improving the acceptance of land as collateral by financial institutions.

The Namibian Government has been running full-scale pilot projects in informal settlements in the Northern town of Oshakati since the late 1990s. Results from these projects are not in the public domain and so it is not clear what lessons have been learnt. This research aims to remedy that.

6.0 Some Ground Truth

An empirical survey was carried out in the Greenwell Matongo C and Havana Extension 1, informal settlements on the outskirts of Windhoek in October and November 2004. As indicated in the introduction, this paper represents work in progress of ongoing research. The survey did not aim to generate statistically significant relationships, but rather was meant to be a reality check to explore the applicability of the conceptual framework to the specific circumstances of Namibia's informal settlements. Thus the more limited objectives were to gain an appreciation of the likely order of magnitudes of the variables, their amenability to empirical study and potential problems likely to be encountered in a substantive survey. The findings presented below are merely indicative.

The above caveat notwithstanding, the survey came up with interesting findings. In addition it helped to more sharply delineate the research questions and, in future, will aid in the design of more robust research methods and instruments.

6.1 The Study Area

Greenwell Matongo C ('Greenwell' hereinafter) and Havana Extension 1 ('Havana') settlements are located in the northwest of Windhoek, adjacent to Hakahana and Wanaheda Townships. They are further flanked by Havana 2 Extension 1 informal settlement to the west and Monte Christo Road informal settlement to the south. They are located approximately 10km from the city center.

Settlers in Greenwell Matongo C have purchased the land they occupy from the Municipality though the area has not yet been formalised. All are members of various group associations from whom they got loans to purchase the land. The settlers have good security of tenure, subject to the rules of the savings associations and the conditions attached to the loans. Those in Havana Extension 1 on the other hand are occupying land on 2-year leaseholds from the Windhoek City Council, after having originally illegally occupied it. The terms of their lease imposes restrictions on what they can do with 'their' properties.

In terms of our conceptual framework therefore, settlers in Greenwell Matongo C have better and more secure property rights than those in Havana Extension 1. It should be noted that both these settlements are neither formal nor illegal. They are 'extra-legal' in the sense of de Soto.

These two settlements were chosen due to the fact that in Greenwell Matongo C a significant number of settlers have acquired land using savings associations while Havana is one of the biggest settlements in Windhoek with many people occupying municipal land on leasehold. Leases are due to expire in 2 years.

6.2 Method

The 'comparative institutional' methodological stance was adopted. As indicated above these settlements differ in the (de jure) property rights that the settlers have over land. This is taken as a point of departure from which any significant differences are elicited. As in Lanjouw and Levy (2002) we asked settlers questions about their perceptions of property rights, how they acquired them and their ability to make transactions of various kinds. Further questions sought to determine the cost of construction, the incidence and nature of disputes, perception of market values, future plans etc. In addition we took measurements of house sizes and noted the building materials used.

21 households were sampled in Greenwell, 7 from each of the 3 savings associations located in the area. 20 households were sampled from Havana, 2 from each of the 10 sections. A total of 41 respondents comprising heads of households were interviewed with the aid of a questionnaire.

6.3 Observations and Discussion

Table 1 shows comparative summary statistics of the two samples.

Table 1: Comparative Summary Statistics

	Greenwell Matongo C	Havana Extension 1
Age		
Below 50	20	19
Above 50	1	1
Sex		
Male	10	12
Female	11	8
Education		
None	6	3
Primary	9	9
Post Primary	6	8
University	0	0
Formal Employment		
Yes	11	13
No	10	7
Monthly Income (N$)*		
Maximum	2800	3705
Minimum	500	200
Average	1390	1276
Standard Deviation	777	842

*1 US$ = approximately 6 N$

Based on these statistics there is no reason to believe that there are significant differences in the demographic composition, education, employment and income levels of the two samples. 58 % of the respondents across both samples are in formal employment, with the majority of these in 'blue collar' jobs (security guards, bricklayers, cleaners, domestic workers, carpenters, mechanics etc). Those without formal employment are engaged in activities which include selling of liquor, *kapana* (meat), fruits and vegetables.

Table 2 shows comparative data on dwellings occupied. It is obvious that there are significant differences between the two samples. Dwellings in Greenwell are on average more than twice as big as those in Havana and cost much more to build. In addition, settlers in Greenwell use the more permanent brick compared to the zinc sheets in Havana.

Settlers in Greenwell clearly feel secure enough to invest substantial sums of money in their housing. At this stage we are more interested in the magnitudes of the values, rather than the reasons/causes for differences.

Table 2: Dwelling Variables

	Greenwell Matongo C	Havana Extension 1
Dwelling Sizes (m^2)		
Maximum	90	40
Minimum	27	15
Average	51	22
Standard Deviation	13	6.7
Dwelling Acquisition		
Self-Built	21	15
Purchase	0	5
Rent	0	0
Building Costs (N$)		
Maximum	21500	1370
Minimum	2000	300
Average	17450	725
Standard deviation	5170	299
Purchase Costs (N$)		
Maximum	0	900
Minimum	0	400
Average	0	710
Standard deviation	0	195
Market Value*(N$)		
Maximum	27000	1500
Minimum	3500	400
Average	19900	900
Standard Deviation	5875	292

* Market Value as perceived by respondents.

Average building cost of N$ 17,450 (1 US$ = approx. 6 N$) are significant in a country where incomes are low. In 1997 the GDP per capita was US$ 2,220 (Hansohm 1999) but bearing in mind the highly skewed distribution of income, average incomes for the vast number of households are significantly lower. The perceived market values are equally substantial. The figures illustrate the potential that exists for capital gains in sale markets. In addition, the spread that is observed between building costs and perceived market value suggests that opportunities exist for profitable speculative development. It should however be noted that the effect of land values have not been taken into account at this stage and is likely to complicate matters. Both settlements are located on relatively high value public land but the settlers have not had to incur the full market cost. As has been indicated above, those in Havana invaded public land at no cost and went on to acquire leaseholds from the local authority. The settlers in Greenwell Matongo on the other hand have bought the land from the local authority but at concessionary prices. Significantly, official restrictions on property sales on the open market mean that prices for both land and real estate are distorted.

It is interesting to note that all settlers in Greenwell built their dwellings themselves, whereas there have been some purchases of completed dwellings in Havana. This seems to suggest, rather curiously, that there is more sales market activity in Havana. This is corroborated by other evidence. When asked what plans they had for the properties in the next few months, 7 respondents from Havana indicated plans to sell compared to none from Greenwell. This may be a case of stronger rights being less transferable and needs further investigation.

The complete absence of renting in both samples suggests that rental markets are not well developed. This points to an additional line of enquiry.

The survey sought to establish how the settlers acquired the land, their perception of the rights that they believed they had, and their sense of security. All the settlers in the Greenwell sample acquired the land under the aegis of the respective savings associations. Fourteen of the settlers in Havana admit to invading vacant land, while 5 acquired completed dwellings and 1 inherited the property.

An attempt was made to find out how settlers find the plots. Those in Havana used information from friends or relatives or personally searched for available plots. This is indicative of high search costs in terms of time. On the other hand settlers in Greenwell appear to be able to draw on more formal sources of information by virtue of being members of savings associations.

Respondents were asked to indicate what rights they thought they had on their property out of the following: to sell, to use, to make improvements, to give out and to rent out. The results are interesting. All the respondents in Greenwell indicated that they did *not* have both the right to sell and the right to give out. On the other hand those in Havana indicated that they had both these rights but not the rights to make improvements and to rent out. This result may partly account for the differences in housing investment and market activity between the two samples. It illustrates, perhaps tritely, the influence of different property rights configurations on economic behaviour.

Property related disputes were found in both samples 4 from Greenwell and 6 from Havana. Disputes were over ownership and boundaries. Better property rights are predicted to reduce such disputes. The incidence of property related disputes in these settlements, the resources that are spent on their resolutions and the mechanisms for dispute resolution are therefore a matter of interest.

As indicated above this survey had the limited objectives of 'testing the waters' and of piloting the survey instrument. The magnitude of the likely variables such as market values, development costs, income levels etc have been appreciated and confirm that there is potential for meaningful property markets. Opportunities therefore exist for the urban poor in Namibia to make capital gains, earn rental income or make capital profit in the sale, letting and development markets respectively.

7.0 The Research Agenda

According to Doebele (1994, 44) research must meet four requirements if it has to have impact on policy makers. First it must resonate with issues that have priority in the mental agenda of policy makers concerned. Secondly, it must be done within an established intellectual framework that makes it comparable with other work on the same subject. Thirdly it must have the ability to be predictive. Finally, it should be in a form that suggests prescriptions for policy.

This research aims to satisfy the requirements. Firstly, the incidence and visibility of urban poverty in Namibia, as in many other developing countries, is such that it cannot be ignored. Secondly, the New Institutional Economics provides an appropriate intellectual framework with which to analyse the interface of property markets and poverty alleviation. Theories of property rights and transaction costs bring both predictive and prescriptive capabilities to the analysis of these markets.

The NIE can contribute to the analysis of property markets in a number of ways. Fundamentally, institutional analysis directs attention to the importance of the institutional environment within which property market activity takes place and the institutional structure of the property market itself. A broad range of property issues then becomes amenable to institutional analysis. Of particular interest to us is what has been referred to as the property market process (D'Arcy and Keogh 1999; 1996).

According to Armitage and Keogh (1996, 1) the property market process is specific to the market in question and “may be defined variously in terms of the institutions which collectively constitute the property market, the legal framework which constrains the operation of those institutions, and a set of conventions which govern the way that actors operate and perceive opportunities in the market”. To this we can add the effect of these institutions and conventions on economic outcomes.

There is much value in adopting an institutional approach to the study of informal urban property markets. As indicated in this paper, there is much that we do not know about how these markets function. There are a number of research questions that need addressing, first asked 10 years ago by Doebele with respect to what he termed the second hand housing market (Doebele 1994, 50). They are worth repeating here verbatim both because of their currency and the fact that they have hardly been addressed.

> "Why do so few re-sales appear to be taking place in informal settlements (if indeed such is the case)? When do they occur, to whom are the plots or properties sold and how is the price fixed? How do sellers use the proceeds of their capital accumulation, and what economic consequences result? For example are the proceeds from such sales generally used to purchase better housing, to capitalise micro-enterprises, or to fulfill one-time social obligations such as weddings or funerals? Does the exclusion of land and housing from formal markets actually cause them to appreciate in value more rapidly than they would be if they were formally marketed? Is the absence of a second hand market constraining an efficient urban property market in general? How does sluggishness in such a market affect the succession or (filtering) phenomenon in which marginal housing stocks receive and pass up successive categories of urban migrants?"

Jones (2003) urges a more systematic audit of policies such as squatter upgrading and tenure regularization in order for them to be associated with poverty alleviation. He argues that research needs to determine the impacts of reform on the poor and the consequences on land markets, specifically on land prices within and without regularized settlements, and the perception of various agents.

Jones (2003) goes on to ask pertinent questions: "As the poor already invest in their homes, is access to finance the only or principal mechanism by which regularization addresses generation-to-generation poverty established by the denial of property rights? Are reforms creating new forms of illegality that might be more complex to resolve and which might lock the poor into more exclusionary social or spatial patterns?”

Additionally, the following questions need answers: What institutional arrangements facilitate or constrain the function of informal property markets? What incentives or constraints do actors face? What is the case for reform? What is the (potential) contribution of real estate to poverty alleviation?

This research aims to provide answers to some of these questions in the context of Namibia's informal settlements. A better understanding of these markets is necessary if they are to be marshalled in the fight against poverty. As Jones (2003) puts it, we need to know more about how governments can intervene to reduce land transaction costs without setting unrealistic regulations that raise land prices to the poor (Jones 2003).

The research aims to "demonstrate clearer the links between land markets and poverty alleviation" (Jones 2003) and in a manner that 'takes into account the complex relations and processes engaged in residential land production and distribution' (Jones and Ward 1994, 13).

The research complements current studies examining informal land delivery systems in six other African countries (Rakodi and Leduka 2003).

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