

Land regularisation in Vidigal, Rio de Janeiro.

Joanne Deagle¹

Since its publication in 2001 *The Mystery of Capital: Why capitalism triumphs in the West and fails everywhere else* by Peruvian economist, Hernando de Soto, international organisations have promoted formalisation of property in developing countries (c.f. Gilbert, 2012). For institutions such as The World Bank, lack of secure land tenure:

‘prevents large parts of the population from realizing the economic and noneconomic benefits, such as greater investment incentives, transferability of land, improved credit market access, more sustainable management of resources, and independence from discretionary interference by bureaucrats, that are normally associated with secure property rights to land’ (c.f. Deininger, 2003, p. xxv).

Thus, legalisation of property was viewed as the solution to reducing poverty, to generating economic growth and to integrating informal settlements into the formal city and economy. Although legalisation of property had already previously been discussed (c.f. Gilbert, 2002), de Soto’s emphasis on the economic advantages brought new life to the argument (c.f. Fernandes, 2002). Formalisation of property, according to de Soto, allows residents to use their homes as collateral for bank loans, which leads to investment and economic growth for the targeted settlement and the wider economy. Many developing countries have implemented programs of land titling based on de Soto’s theories, but few of these have reached completion or demonstrated the proposed

¹ MSc. in Brazilian Studies, King’s Brazil Institute, KCL.

benefits (c.f. Bourbeau, 2001; Gilbert, 2012, Woodruff, 2001). Furthermore, the actual relevance of titling has been overlooked and instead, because of scarce empirical evidence, ideological considerations have become the principal foundation for the promotion of formalised property (c.f. Durand-Lasserve, n.d.).

Despite being welcomed by national governments across the globe, de Soto's book has come under scrutiny from the academic world and the economic advantages that were once seen as de Soto's contribution to the discussion on land tenure, may have actually led to its own downfall. For example, by focusing on the supposed economic advantages of property formalisation, such as the impact of subsequent taxes and tariffs on low-income populations, some of the social considerations have been lost (c.f. Durand-Lasserve, n.d.). Additionally, criticisms have arisen regarding how de Soto has made certain calculations behind the cure for widespread poverty in developing countries (c.f. Bourbeau, 2001; Fernandes, 2002; Gilbert, 2012).

According to de Soto, through the legalisation of property, everyone will seek to maximise wealth. Nonetheless, it is important to remember that cultural, geographical, political and social factors change the way people view property and capital (c.f. Bourbeau, 2001). In order to understand the impact and results of legalising property, this article looks at land regularisation in a particular community in the South Zone of Rio de Janeiro, called Vidigal. It investigates which mechanisms of land regularisation have been used and what effects these have had upon the community. In order to contribute to the current literature available on legalisation of property, the paper seeks to understand whether the fruits of de Soto's theory have materialised in Vidigal. In Rio, the government has sought to implement other programmes alongside land regularisation, such as urbanisation and pacification. By encouraging and facilitating further investment into the community, these should, in theory, make de Soto's claims

of economic growth of the informal settlements more likely. Therefore, what this paper hopes to reveal, is whether this is the case in Vidigal or not.

Despite a smaller population (9,678) than some *favelas* (informal settlements) (IPP, 2012), Vidigal makes an interesting case and deserves attention for the following reasons: situated between Leblon and São Conrado, two elite neighbourhoods in the South Zone (a popular tourist area), it attracts both domestic and foreign interest. In January 2012, Vidigal underwent pacification to remove drug gang control, with a 24/7 pacification police unit (UPP) being installed.² In the same year, a land regularisation programme began in Vidigal called '*Nossa Terra*' (Our Land), and despite several obstacles, hundreds of properties on public land have been legalised. In addition, Vidigal covers both private and public land, and therefore requires different mechanisms to legalise property. Furthermore, both public and private entities are present in Vidigal and basic services have undergone formalisation. Finally, real estate speculation has hit Vidigal: in 2013, the average m² in Vidigal was R\$8229, approaching Rio's average of R\$9285 (c.f. Assis, 2013), suggesting economic growth in the area. However, what needs to be questioned is whether this growth is reaching local residents or, instead, is benefiting middle and upper class outsiders.

In order to assess the impact of land regularisation in Vidigal, I used a mixed method style of quantitative and qualitative research. The research draws upon statistics from the 2000 and 2010 National Censuses, maps detailing the different areas of the community, legal documentation such as the 2001 City Statue and decrees regarding legal construction work and press releases. To compliment this quantitative research,

² This is part of a wider city campaign to regain control of communities that are ruled by drug gangs, to allow greater outside investment and to promote citizenship.

over a period of three months, I conducted interviews with nine different residents³. I also interviewed both the previous President (2011-2012) and the current President (2012-present day) of the Residents' Association in Vidigal (AMVV). In addition, two organisations linked to the processes of re-urbanisation and land regulation: Iterj (Institute of land and cartography in Rio de Janeiro) (state level) and Pouso (Post of Urban and Social Orientation) (city council level) were interviewed⁴. I also sought to meet with two academics within the field: Rafael Soares Gonçalves from the Pontifical Catholic University of Rio de Janeiro and Alex Magalhães, from the Federal University of Rio de Janeiro. Finally, I carried out day-to-day observational research over this three-month period in order to assess visible indicators and changes in Vidigal. These changes included, for example, the level of construction work, the quality of public services and the prices of properties for rent or sale. Such factors would reveal if people were investing in their property, if the government was allocating money to improving public services and infrastructure, and if residents were able to profit from their newly accessible virtual capital, as predicted by de Soto.

Beyond looking at the various challenges encountered during land regularisation in Vidigal, the article analyses different types of titling used and their benefits and limitations. By investigating land regularisation in Vidigal and by using the qualitative and quantitative methods, the research aims to uncover obstacles and unexpected repercussions that future land regularisation programmes should consider during design and implementation. Additionally, it highlights the need for further revision of

3 One resident with the definitive title, three with the promise of concession of use, one who thought he had the concession of use but actually had formal property deeds and paid housing tax, two who had not yet received any kind of title and two others who lived in the formalised area).

4 Please see attached sample questionnaire at the end of this paper.

legislation, or stronger monitoring and enforcement, so that the advantages of legalised property really do come to fruition.

Background and relevant literature

Attention has been given to titling programmes in developing countries such as Peru, Egypt, Columbia and Tanzania (c.f. de Soto, 2001; de Soto & Litan, 2001; Gilbert, 2012, Schage, 2009). Brazil, despite incessant growth of informal settlements, and having created legalisation programmes prior to de Soto's theory along with its recent advances in urban legislation regarding property rights, has largely remained out of the circuit of land regularisation programme analysis (one exception is Oliveira & Nuñez, 2012). During the second half of the 20th century, the rural-urban mass migration stemming from industrialisation has led to 85% of Brazil's population now living in urban areas (c.f. World Bank Group, 2014). This has provoked a dramatic housing shortage and consequently, the expansion of informal settlements. In 2010, the city of Rio de Janeiro had the highest favela population at 22% and there are still no signs of it shrinking (c.f. IPP, 2012, p.2). Historically, these favelas were blamed for the city's ills, viewed as hubs of violence and crime. However, by the end of the military dictatorship, this perception began to change largely thanks to the politician Leonel Brizola and favelas were identified as a solution to the housing deficit (McCann, 2014; Oliveira & Nuñez, 2012). Since then, new urban policies have been created to formalise Rio's favelas.

The 1988 Constitution dedicated a chapter to urban policy for the first time. The 2001 City Statute then adjusted this chapter by providing more legal instruments to incorporate favelas into the formal city. Article 2 of the Statute states that both land regularisation and urbanisation should be used to develop the social function of urban city and property (c.f. Estatuto da Cidade, 2001). For some critics, the reason why so

many urbanisation programmes have failed is that they have only focused on one objective (titling). For informal settlements to be truly incorporated into the rest of the city, other mechanisms such as favela upgrading should support legalisation of property (c.f. Fernandes, 2006; 2007; Leitão and Delecave, 2010; Soares Gonçalves, 2006). This is because formalisation of property alone does not guarantee favelas access to the formal market, to better employment opportunities or to bank loans. Moreover, full titling can actually provoke negative consequences for low-income populations, including displacement of the most vulnerable in favour of the rich (c.f. Cardoso & Leal, 2010; Compans, 2003; Cummings, 2013; Durand-Lasserve n.d.; Freeman, 2012; Handzic, 2009; Soares Gonçalves, 2006; Woodruff, 2001). For Durand-Lasserve, the eviction of the poor caused by land regularisation has not received sufficient attention (Durand-Lasserve, n.d. p.6).

This article focuses on two main bodies of literature regarding recent changes in urban policy. The first body of literature analyses the theories linked to the economic benefits that stem from incorporating informal settlements into the formal economy. It looks primarily at the works of de Soto (2000; 2001). I place these theories in light of criticisms that have arisen, which see no evidence in de Soto's claims that legalised property enables access to bank loans and to leads to greater personal investment in homes and public investment in the wider community (c.f. Bourbeau, 2001; Bromley, 2008; Durand-Lasserve, n.d.; Fernandes, 2002; 2006; Gilbert, 2012; The Economist, 2006). Other critics state de Soto's paper has looked at have gone as far to suggest that tilting should be avoided altogether in order to evade subsequent negative repercussions, such as gentrification and provoking informality in other areas of a city (c.f. Compans, 2003; Cummings, 2013; Fernandes, 2007; Freitas, 2013; Handzic, 2009; Woodruff, 2001).

Alongside the analysis of de Soto's works, this article also draws upon James Freeman's (2012) work that places David Harvey's (2010) concept of accumulation by

dispossession in the context of Rio's favelas and, like other authors, suggests that interventions in favela territory have been designed to capture and generate further capital. These programmes have been promoted as mechanisms to integrate favelas into the formal city and yet concerns have been raised that they are instead generating further social segregation (c.f. Compans, 2003; Dias, 2008; Fernandes, 2006; Oliveira and Nuñez, 2012; Rolnik and Saule Júnior, 2001; Soares Gonçalves, 2006). This leads us to the second body of literature, which examines land regularisation as a means to guarantee the social right to housing and the integration of informal settlements into the rest of Rio (c.f. Cardoso and Leal, 2010; D'Ottoviano and Silva, 2010; McCann, 2014; Oliveira and Nuñez, 2012; Rolnik and Saule Júnior, 2001). It draws upon writings about Rio's urban policies, including not only legalising property but also removals, urban upgrading and pacification to gain a broader view of the current situation. The literature provides ample examples of recent governmental efforts and allows us to question if land regularisation in Rio has produced the advantages suggested by theorists and organisations. It helps us and to understand whether reasons behind legalising property really are to promote social integration, as declared by the 1988 Constitution and the 2001 City Statue, or indeed to increase capital for the wealthy (c.f. Albanese, 2012; Durand-Lasserve and Royston, 2002; Paiva, 2013; Freeman, 2012; Magalhães, 2013; Mattos 2013; Queiroz and Olinger, 2013; Vainer, 2011).

Findings

This next section can be divided into two parts. The first summarises advances in land regularisation in Vidigal and the obstacles that it has, and still must, overcome and the second verifies if de Soto's theories have materialised in Vidigal. By assessing the experiences and lessons learnt in the case of Vidigal, the article will demonstrate how

land regularisation might be more effective under varying circumstances and via different legal mechanisms. This could prove highly useful if the mayor, Eduardo Paes really does want to upgrade all of Rio's favelas by 2020 (c.f. Paes, 2012).

1) Land regularisation in Vidigal

Vidigal can be split into three distinct areas: public land, private land and an area that is formal and had been for some time. Only in the formalised area do residents pay IPTU (Urban Territorial and Housing Tax). The formalised area contains wide tarmacked roads, proper paving and waste is collected regularly from specific waste bins outside each individual property. A clear investment has been made in the area in comparison with the rest of the community.





In the private and public areas, steps leading up to legalisation of property (topography, recording of social profiles of families, collection of documents, demarcation of lots and their registration at the notary) have been completed, but titling for some residents has not. This is because there are some barriers to overcome. Although the public area was expropriated by the state in 1977, the payment of compensation to the former owner of the land, Ivette Palumbo, has not yet been paid. The compensation value of R\$49,554,414.75 is currently waiting in a queue and the date of when it will be processed remains unknown (c.f. Iterj, n.d.b). Until it is fully paid, the state does not own the land and only possesses it. Therefore, the state can only grant promises of concession of use

or donation of land (depending on the community's preference). Around 2,600 families live in this area and in 2012, 688 terms of promise of concession of use were granted (c.f. Iterj, n.d. b). In Iterj's second phase of land regularisation, they announced another 380 documents would be granted.

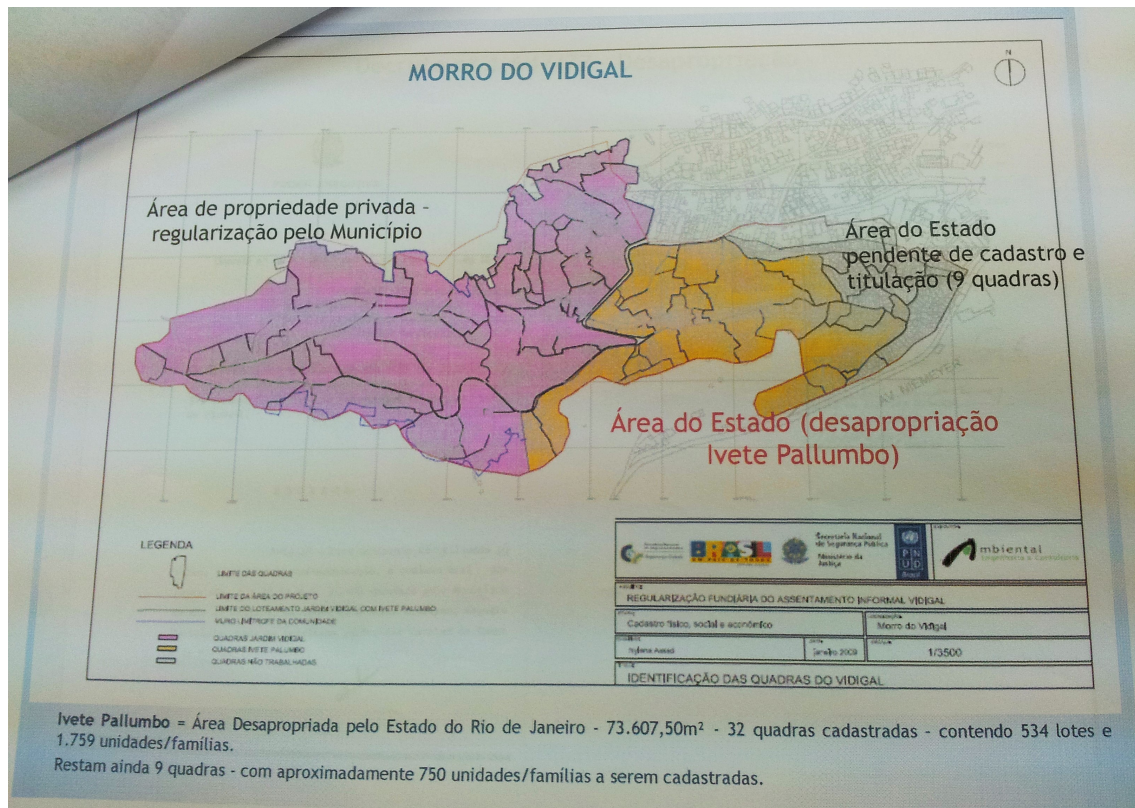


Some residents have even obtained full titling, including one of my interviewees, although it was unclear how many residents have obtained this.



During the interview with Iterj, the staff explained that the situation regarding the private area is more complicated. The private area has been handed over to the municipality to grant titling via administrative *usucapião* (ownership granted after five years of proven possession), yet as far as Iterj is aware, land regularisation has still not been completed there. Iterj completes the steps leading up to administrative *usucapião*, which are too expensive for the residents to carry out, but the final stages to legalise the properties appear not to have been completed by the municipality. As to why this has

been held up was unclear and thus land regularisation on private land in Vidigal remains a valuable area to be researched and deserves further investigation.



In Rio, two public organisations, Iterj and Pouso, work together to regularise favelas. Iterj is responsible for regularising land tenure and for granting titles of possession or ownership, whilst Pouso is accountable for regularising the physical construction of properties. With documentation proving the legality of a property from both organs, the resident is viewed as being integrated into the formal city, yet there are still many obstacles preventing this. One challenge is the deficiency of resources for public bodies (c.f. Fernandes, 2006). The representative from Pouso in Vidigal described the organisation as feeling powerless and without sufficient means to carry out its job of controlling and preventing illegal construction work effectively. In Vidigal, in the midst of high property speculation, residents are extending their properties both horizontally

and vertically. Pouso informed me this type of construction provokes high risks, as generally, residents do not contract technicians or engineers to assist and it is therefore potentially structurally unsound.

In 2012, Pouso was evicted from its office in order for the UPP to have a base there. As such, Pouso had no real presence in Vidigal for one year, until another smaller office was built. It seems therefore ironic that as Iterj started land regularisation in Vidigal that year, Pouso, who helps to regulate property, was forced out. This suggests the government values pacification over property regularisation and Pouso confessed to feeling undervalued. To understand why this may be requires further investigation. Freeman's (2012) article suggests pacification serves as a means for the government to gain control of informal territory for greater capital absorption and expansion. If this is true, then it becomes evident why organisations such as Pouso, who serve to regulate and benefit the local resident more than to allow greater capital gains, gets moved further down the list of the city's priorities.

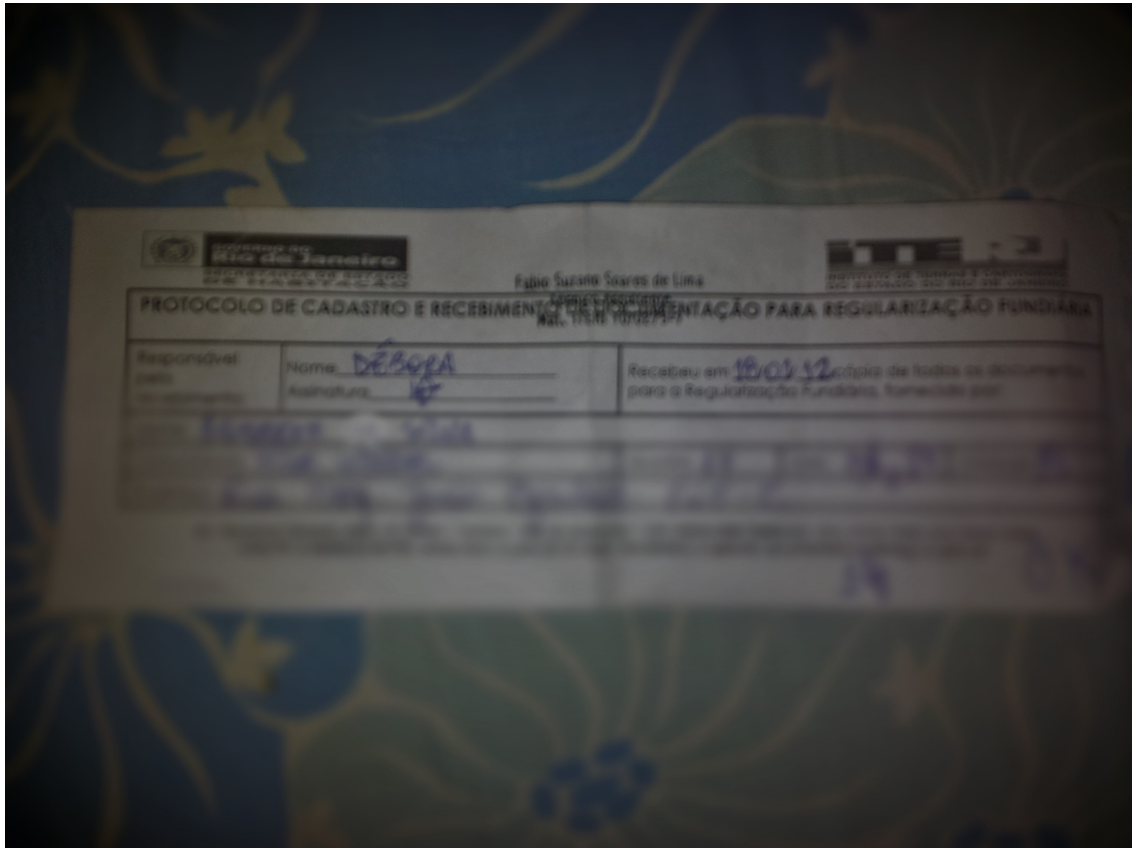
For Iterj, the main challenge lies in working with the notary, who is still familiarising itself with the recent introduction of urban demarcation and therefore causing delays in land regularisation. Another situation that can suspend land regularisation is unclear demarcation or ownership of land. This was the case in the favela Cantagalo, where part of the land, containing 1,500 families, had no clear owner. Without knowing who the owner of the land is, land regularisation cannot be completed and Iterj becomes stuck in a fight between the state and the notary. When asked, the current President of the AMVV gave a different answer to what prevents land regularisation in Vidigal. He stated that the residents' lack of interest in legalised property, despite the AMVV's attempts to mobilise the community, is a great barrier for land regularisation. Iterj supported this point, revealing that in 2012, of 781 promises of

concession ready to give to residents in Vidigal, 93 remained unsigned and are stored in Iterj's office (Iterj, n.d. b).

Another challenge voiced by Iterj is the promotion of concession of use to residents on public land, over other forms of titling. As concession of use only concedes the land to the resident, property transfers can only occur if approved by Iterj (although Iterj admitted they cannot control this 100%). With donation, the resident is the owner and can sell their property to whom they wish after a timeframe of between one to five years. In Vidigal, with prices rising, this is likely to be an outsider with a higher income, which would subsequently alter the community's dynamics and infringe the social right to housing. For Iterj, priorities lie in guaranteeing the social right to housing, not to grant ownership. This is a clear attempt to prevent what de Soto predicted: namely that everyone will seek to maximise wealth. To test this theory from the residents' point of view, I asked residents if they saw their houses as a home or as a form of capital. All the residents replied that they viewed their property principally as a home. Remarkably, however, the only two residents who saw potential economic gains within their properties were those that had not received yet any form of titling. One considered renting the property out and moving away (although this was mainly due to annoying neighbours rather than to make money) and the other envisaged turning her house into a hostel. This could have been greatly influenced by the amount of new hostels opening in Vidigal, especially during the FIFA World Cup.

Many factors can affect the way that residents see their community and property. A large number of residents have been born and raised in Vidigal or have spent most of their adult life there. Furthermore, because they have either bought or inherited their properties, residents already see themselves as the owners, regardless of formalisation. For most of the residents I interviewed legalisation was just another piece of paper, which explains why residents do not suddenly see their properties as lucrative assets

once formalised. One resident even showed me her certificate of concession of use, which was indeed just a piece of paper. (Nonetheless, another resident showed me a folder with information including diagrams of his plot of land).



This also perhaps explains why some residents with recently formalised property have not shown much interest in gaining their documents from Iterj, as they see the home as already theirs. Over the past few decades, favelas have witness several attempts and upgrading, regularisation and integration of their communities with the rest of the city. Some of these, such as *Favela Bairro*, have allowed for improvements in infrastructure. Nonetheless, many, such as *Morar Carioca* have promised elaborate plans that have since been unfulfilled (c.f. Cameron, 2013). To add, stories emanating from the *Minha Casa*

Minha Vida programme, have described situations in which the government has agreed to allow residents to stay in their communities, but have created threatening and hostile environments, reducing the residents' quality of life and inevitably forcing them to move (c.f. Comitê Popular do Rio, 2014). Subsequently, some favela residents, both those who have been through such experiences and those who have heard about them, have become sceptical of any programme of intervention in their communities and therefore see land regularisation as yet another empty promise made by the government.

Another factor that may affect how residents view their properties and the advantages of legalisation is information and education. For this reason, I also wanted to see how much residents knew about the financial implications of legalising property. I asked residents whether legalisation of property opens up access to bank credit. Only three agreed it does, or would. Some residents, both those with and without legalised property, were not aware of this advantage, or were confused about their rights, and others disagreed, stating it would not make a difference. Furthermore, as foreseen by Gilbert (2012) and Durand-Lasserve (n.d), none of the interviewees seemed interested in the idea of obtaining a loan anyway, reluctant to get caught into debt. One of the advantages of land regularisation, that both de Soto and Iterj promote, is that residents will be able to use their property as collateral for a loan in order to make improvements and invest in their homes. In reality, this is not always the case. Firstly, as suggested by McCann (2014), all the residents I had spoken to had gradually made improvements to their homes with their own earnings.

Secondly, in line with Fernandes' (2006) findings, one resident without titling informed me many favelas already have access to both informal and formal sources of credit and therefore the title is not essential. The ex-President of the AMVV described a fund in which residents could receive up to R\$5000 for home improvements. Francisco,

a resident who had received the definitive title, explained that during the handing over of the title, the governor informed him he could now apply for bank loans. Francisco then added 'that's what they told me', as if wary over the reality of this and perhaps he is right to be. As suggested earlier, Magalhães (2014) confirmed that legalised property does open up access to bank loans, but banks also consider the property's location and still hold prejudices against favelas (regardless of urban policy advances). To add to this, the interviewed residents reported that banks look at credit histories and monthly earnings. This brings up the third issue with supposed access to bank loans: banks are less likely to lend to residents in informal settlements, even with legalised properties, as they are deemed too risky (c.f. *The Economist*, 2006). Many residents in Vidigal work in the informal sector; they do not receive a fixed monthly wage and therefore represent a risk for banks. This means, therefore, that further measures are required so that banks become willing to lend to favela residents, despite absence of credit history and regular income.

Nonetheless, even if residents were able to obtain bank loans, the interviews carried out in this research show that residents would not be interested. For so long, favela residents have built their communities without the help of formal bank loans. They would much rather gradually build their own business, than turn to formal systems that are full of unfamiliar jargon and inflexible lending terms and conditions.

Despite the apparent lack of interest in bank loans and capital gains amongst residents, there is, however, one clue that indicates residents do want to add value to their homes and maximise capital: building work. One of the main selling points of a house is how many *lajes* (rooftops) the property has, as shown on real estate websites. It represents the possibility of adding extra floors to the property, something that many residents are keen to do in this time of high property speculation. One might conclude that residents are investing in their homes, hoping to sell at a large profit and leave the

community but the interviews carried out for this research suggest otherwise. Perhaps, as favela residents have always done, they are simply completing their homes, bit by bit. The government forbids vertical and horizontal extensions of existing properties in ZEIS (Zonas Especiais de Interesse Social)⁵. To tackle the increase in unauthorised construction work, investments in residents' homes in terms of renovations and improvements should be promoted, whilst expansion should be deterred. To achieve this, the interviewees suggested some changes. Pouso should be given greater power and resources in order to control the scale of building work. To add, legal exceptions that are allegedly made for outsiders, with plans to build a hotel, for example, need to be addressed (c.f. Albanese, 2012; Vainer, 2011). Just because luxury apartments and hotels might bring in more business and growth to the community, this does not justify exemptions to environmental law.

For many economists and international organisations, legalisation of property brings investment, generates capital and with access to bank loans, allows residents to build their own businesses. We have already seen the flaws in this argument regarding bank loans for residents, but has the number of outside investors increased? I asked residents if they had noticed a change in the number of new businesses in the community since formalisation of properties began. Many said that some new restaurants and bars had opened but the greatest change was the 'invasion' of hotels and hostels owned by outsiders, whose services and products benefit tourists and not residents. Nonetheless, they did admit that the new businesses could represent opportunities for employment, but emphasised that more should be done to invest in offering employment to local adolescents who have left, or finished, education. Only one resident was highly in favour of outside businesses entering the community stating

⁵ Decree, 2001, complimented by law 33648/11

these kinds of businesses would help Vidigal to grow by bringing new ideas, new perspectives and money. When asked whether legalisation of property rights facilitates starting new businesses, once again, responses were mixed and it seemed no one had given much thought to the idea before.

Residents agreed that access to and the quality of basic services had improved in Vidigal, although the degree of improvement varied amongst responses. Statistics from the IBGE 2000 and 2010 Demographic Census show that even before land regularisation and the UPP entered Vidigal, access to basic services were near to those in the formal city (c.f. de Azeredo Lopes Tepedino, 2007; IBGE 2000; 2010). This suggests land regularisation did not change levels of access. Furthermore, access is one factor, but quality is another and the existence of one does not guarantee the other.



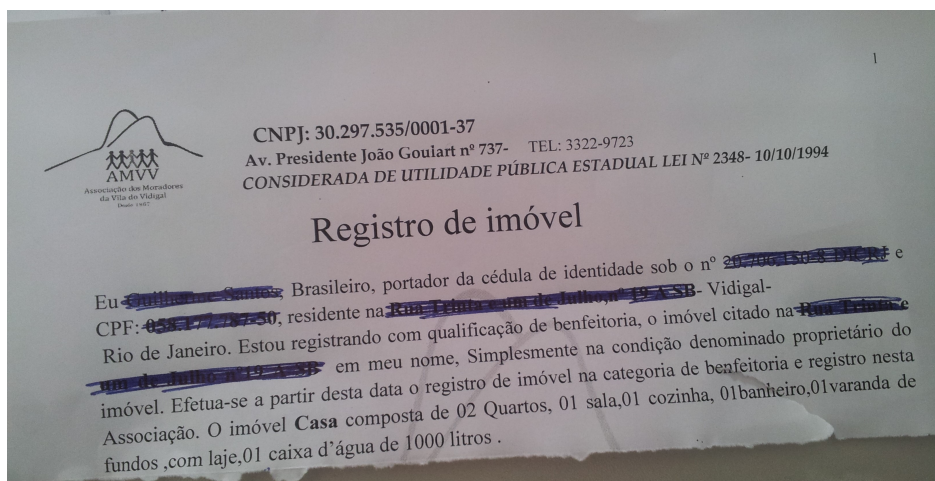
To give an example, the Census defines homes with electricity as those who have access, including those not connected to a general network and another 207 homes without meters (c.f. IBGE, 2010). Open discussions in the community revealed complaints of broken meters and irregular bills (c.f. Jaquet, 2014a). Some interviews suggested improvements in public services stemmed from Pope John-Paul II's visit to Vidigal in 1980 and that Favela-Bairro was responsible for improving infrastructure, both of which came prior to the recent efforts in land regularisation. Currently, Vidigal is receiving public works to tarmac several streets. One resident informed me that the request comes from the residents and the AMVV and is then passed on to the City Council. These examples show that investments in infrastructure and services can occur without legalisation of property. Similarly, whether houses are legalised or not seems to bear no weight on Light's (a private electricity company) recent involvement in Vidigal, whose initiatives include renovating the old network, installing new meters and discounted rates.

2. Considering de Soto

It appears that the advantages that come from formalisation of property have either failed to materialise in Vidigal (such as access to loans), have occurred independent of legalisation of property, or have actually generated negative consequences. It is these negative repercussions to which we shall now turn.

Although it seems masse removals by the government has not been an issue for Vidigal since the 1990s (c.f. McCann, 2014), a new threat has emerged known as *expulsão branca* (white removal) or, from the English term, *gentrificação*. It refers to outsiders slowly buying out Vidigal, forcing original residents to leave due to increased prices. There are many theories behind why this is occurring. As mentioned before, residents

who have rights of full ownership are able to sell their property, and with current property speculation in Vidigal, this is a huge temptation for them. According to FIPE ZAP, the average m² of apartments is now valued at R\$8,311 (c.f. ZAP, 2014). The data compiled shows that prices started rising after a dip around February 2012 (just after the entrance of the UPP and land regularisation and the exit of Pouso). De Soto states that legalisation of property opens informal settlements up to the formal market, brings greater transparency and allows the creation of a formal registration system that everyone can access. Nonetheless, property transactions occur in Vidigal, and other favelas, without legalisation. Although such transfers often occur between friends, family or by word of mouth (c.f. Abramo and Pulcini, 2009), outsiders and foreigners are now entering Vidigal and purchasing irregular properties. I was fortunate enough to witness the registry of an informal property at the AMVV, which was then transferred to a foreigner.



The transfer is documented and a certificate is signed by several staff at the Residents' Association, as well as by two witnesses. The notary is also involved in the transfer. This process demonstrates that property transfers can occur without formalisation of

property. It also reveals that Residents' Associations and the notary hold data and documents on properties within informal settlements, ensuring the validity of transfers. Furthermore, outsiders wanting to purchase a property in Vidigal are neither prevented, nor put off, by lack of formalisation.

So is gentrification actually happening in Vidigal? One resident actually blamed legalisation of ownership for the hike in property prices, which for him, would cause the end of Vidigal as he knew it. The President of the AMVV agreed that the main concern nowadays is no longer removals by contractors but by money, and that this was occurring in most pacified favelas. Nonetheless, Vidigal, according to him, is exceptional due to its stunning views and location.



According to several interviewees, the influx of foreigners and the start of property speculation had already started in 2008, with the arrival of a German, who bought several properties in Vidigal. This highlights the fact that formalisation of property is not required to open the property market to outsiders, contrary to de Soto's theory (de Soto, 2000). A repercussion of such transfers is that the community could lose its original reason: a means to housing for those who cannot afford to live in the formal city. Now, middle and upper class outsiders, as well as both public and private investors are buying out this community and forcing its residents to move elsewhere. As such, many central and coastal favelas communities are being relocated to areas considered less attractive by the market.

A second, and perhaps the most salient, reason behind outsiders buying property in Vidigal comes down to the installation of the UPP, rather than land regularisation. When asking what impact the UPP has had on Vidigal, one resident stated that property prices had gone up because of the arrival of the UPP. This correlates with the graph produced via ZAP (2014), although it should be remembered that land regularisation also started around this time. Others explained that the UPP gave the illusion of peace and resulted in more outsiders entering and purchasing properties, causing an increase in the prices of everything and that the community is losing its identity. The AMVV, along with other non-profit organisations, have tried to encourage residents to make the most of these changes (c.f. Jaquet, 2014b). Nonetheless, residents' stories revealed that, in order to get some benefit, you have to leave to give room to the wealthy. Not only has the UPP encouraged outsiders to invest in property in these communities, it has also encouraged tourists to enter the favelas. Over the 2014 FIFA World Cup, thousands of tourists entered favelas in search of cheaper property. Vidigal's residents seemed split in opinion over whether this was good. Some saw it as a chance to open their own tourist businesses, whilst others saw it as an invasion where residents became isolated from

facilities and events in the community and were subject to higher prices that they could not afford.

This point leads to another factor linked to *expulsão branca*: with land regularisation and formalisation of services, comes increased living expenses. For example, before businesses like Light and Sky came into Vidigal, residents had access to free, although illegal, electricity and cable television. Now residents must accept that if they want service and infrastructure upgrading, they will have to pay the price. As mentioned before, only residents in the three formalised roads pay housing tax. Residents I interviewed, with or without titling thought this might soon change, although Iterj confirmed those with concession of use will not have to. I asked them if they thought that housing tax, along with regular electricity and internet bills, could pose a problem for Vidigal's residents. Most residents agree that they should have to start paying extra costs for Vidigal's situation to improve. Yet, there are concerns that some will struggle to pay the same rates as those in the formal city. If this does occur it could force many residents to move to favelas further away, where costs are cheaper and as a result, where there is little infrastructure. In other words, if the government and private businesses are not careful, they could end up enforcing the current segregation between the formal and informal city. For this reason, those entering need to take into consideration the social profile of the community before imposing new tariffs and taxes (c.f. Dias, 2008; Fernandes, 2006; Handzic, 2009).

Conclusion and closing remarks

This research has chosen one informal settlement, Vidigal, to understand the varying economic impacts that land regularisation can have on favelas. It has highlighted the range of different mechanisms that can be used to regulate the land, depending on the

aims of the government in rule (c.f. Ferdandes, 2011) and finally, it has added to the existing literature that puts to test de Soto's theory of formalisation of property in real situations. The findings have revealed that, as foreseen by many critics of de Soto, and to some extent even by himself, formalisation of property alone is not enough for residents to have access to bank loans, to create businesses or to eradicate poverty. Residents in Vidigal showed little interest in using their homes as a means to obtain bank loans and have access to other forms of credit instead. With this credit, or with personal savings, residents have been making improvements to their properties, whether legalised or not. Investment in infrastructure upgrading can be dated back to Pope John Paul II's visit in 1980 and basic service companies such as Light and Cedae, entered Vidigal prior to both land regularisation and pacification. To confirm whether these companies would invest as much in favelas without land regularisation would require further comparative research. Nonetheless, in the case of Vidigal, newly legalised property seems to bear no weight on their recent initiatives to improve basic services and comes under a broader campaign to improve favela conditions. Overall, interviews placed greater emphasis on the entrance of the UPP as the reason behind the latest improvements to the community, rather than legalisation of property. One resident even suggested that it was the UPP that made land regularisation feasible in Vidigal. Considering this, as Iterj works in both pacified and unpacified favelas, it would be interesting to see how successful land regularisation and urbanisation programmes have been in areas where the UPP has not entered.

Regarding economic growth, although the number of businesses have increased in the community, it seems both the instigators and the main beneficiaries are largely outsiders and not local residents. Although more capital is being created from these areas, it is hard to pinpoint whether increases have stemmed from pacification, land regularisation or urbanisation, or from a combination of these programmes. On the

other hand, land regularisation will eventually allow the government to increase public revenue via consequential housing taxes on legalised properties in the private areas, which in 2002 made up 11% of total public funds (c.f. PortalGeo, n.d). The interviews revealed that if these resources were reinvested into the community, then residents would be happy to pay. The next question, however, is with many households earning irregular low wages, how will they manage this?

The research suggests that so far, land regularisation's main achievement is that residents have their right to housing officially recognised by law. This brings a greater sense of citizenship to residents of the favela and is a step towards integration with the formal city. Furthermore, Complementary law 144 (10/01/12) declares that regarding donation, titling will prioritise women, illustrating that the state has also taken gender into consideration - a point that Fernandes (2002) notes de Soto has left out. Nonetheless, residents with concession of use, who only have the right to usufruct their land, are restricted in selling their home. From the residents' perspective, many expressed disappointment and stated that security of tenure is not enough to eliminate the threat of forced removals. As such, residents remain wary of government mediation and see the concession of use as a mere piece of paper. However, we cannot forget the wider implications of selling homes, including loss of the community's social profile and purpose, and the propagation of informal settlements, and that such limitations are imposed in order to prevent negative consequences of gentrification.

Although the latest favela interventions have been seen as the reason behind gentrification, blame, it seems, cannot be put on one programme and certainly not on land regularisation alone. The government has actively sought to control property transfers and maintain the social profile of Vidigal via concession of use. However, the state only has power over the land it owns and suffers from limited resources, thus it can only do so much. Likewise, the research demonstrated the lack of power and tools

granted by the government to public bodies such as Pouso. With the current level of authority, Pouso is unable to control the vast amount of illegal construction work in Vidigal. The AMVV, along with other non-profit organisations, is trying to educate residents about the benefits of land regularisation and the effects of gentrification and *expulsão branca*. However, the government also needs do its bit and to make efforts to educate outsiders on their impact in the community. If successful, this should help to eliminate old prejudices and create awareness of favela particularities. By educating both residents and banks, loans could be offered so that these residents can make further investments in their homes and in creating businesses. This in turn could encourage economic growth that benefits the local people and not just outsiders.

It must be remembered however, that the full impact of land regularisation and other urban policies to improve the lives of favela residents take a long time to materialise and some effects appear earlier than other ones. Although tools are in place to integrate favela residents into the formal city, it may take decades for the two cultures and for all parties involved to adapt to each other, and to their new responsibilities (as we have seen with the notary and urban demarcation). This research has managed to give an insight into the beginnings of land regularisation in Vidigal and into the views of affected residents. It was evident that residents in Vidigal were not aware of many of the economic benefits that stem from legalised property and for now, many regard it as another piece of paper, especially where concession of use is granted over full titling. This seems odd when we know that both Iterj and the AMVV have tried to educate residents on land regularisation and has worked hard to bring greater understanding and to create dialogue between private and public bodies and the residents. Perhaps, it is just a question of time and of a sustained effort from the government and from those entering the community, or perhaps residents need to engage more. For this reason, therefore, it would be worth continuing the assessment of the successes and failures of

land regularisation in Vidigal, and in other communities. By doing so, we should be able to highlight what further mechanisms are required for land regularisation to generate economic growth (that benefits everyone) and to integrate informal settlements into the rest of the city.

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