

**Towards an urban land resource curse?
a fresh perspective on a long-standing issue**

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Abstract

The governance of urban land development is one of the central challenges not just for urban but also more broadly for global development in times of rapid urbanisation. This paper advances a fresh perspective to look at urban land by exploring to what extent it could be characterised as a resource curse problem. The conclusion is a qualified yes: urban land issues exhibit a number of characteristics and dynamics that compellingly suggest that we are facing a resource curse type of situation when it comes to urban land. What's more, the particular configuration of drivers and characteristics points to a resource curse that rivals and in some aspects even dwarfs the risks, complexities and acuity associated with the phenomenon in other sectors. This re-framing offers the opportunity to link the anti-corruption community more productively into the urban land challenge, a conversation from which it has so far remained surprisingly absent; and, draw inspiration and fresh ideas from the rich stock of expertise, insights, learning and experimentations that have taken place in resource curse governance as one of the longest standing hotspots of governance research, institutional reform and policy advocacy.

Key Words: urban development, corruption, governance, innovation, resource curse

1. The age of cities

Urbanisation is one of the defining dynamics of our times. While the particular pace, intensity and form of urbanization varies and is for some places and periods contested, the general trend is clear: the world is becoming more urban, cities are growing fast, pressures on land resources in urban and per-urban areas are rising rapidly, often exponentially.

As a result, cities matter incredibly- socially, politically, and economically.

From a policy perspective cities are at the centre of devising viable strategies for a list of major ambitions from inclusive human development and addressing the climate challenge to safeguarding and expanding political stability, social cohesion, resilient livelihoods etc. etc.

From a governance perspective rapidly growing cities face a daunting task to manage urban growth and performance in the context of high levels of informality, poverty, deprivation and environmental stress. City administrations that are often already at breaking-point face massive further influx of people – almost all future population growth is expected to be absorbed by cities, adding 2.5 billion new urban dwellers primarily in Asia and Africa by 2050.² All these drivers of rapid urbanisation are also closely interlinked with and often further amplify tremendous challenges of corruption when competition for scarce resources and the need to stake out viable livelihoods clash with weak governance capacities, predatory patronage networks, formidable opportunities for personal enrichment and/or what are often unresponsive and unaccountable urban elites.

Yet at the same time cities also present themselves as the great petri dishes for innovative governance arrangements and solutions, as important trailblazers for new public norms, as harbingers of hope for making global change possible where cooperation of national governments seems gridlocked.³

Making the world work and making it work better will require to make cities work and to make them work better. Despite these Siamese entanglements between cities and innovations in governance and anti-corruption there are very limited linkages between the two communities of urban practitioners on the one side and governance specialists on the other. There are relatively few joint research efforts, publications and forward looking ideation exercise that engage both communities. And this low-bandwidth conversation is further complicated by the fact that urbanists and governance people tend to inhabit two very different worlds of very particular mental templates, discourses and professional jargons that do not quite intersect or even interface.

This paper is an attempt to bridge this gap, by doing some translation and transposition by looking at central challenge in urban development – urban land management – from the perspective of governance and through the prism of the resource curse, a very popular framing of commodity wealth issues that has spawned a large industry of governance research, policy advice and policy experimentation. To my knowledge this analytical lens of a resource curse has so far not been applied to urban land issues. I aim to show that this is very unfortunate since the resource curse can be viewed in many ways as a particularly vexing and acute instantiation of the resource curse and that this analytical re-framing makes the phenomenon not only much more accessible to governance practitioners, but also opens the door to drawing on the lessons learnt, advanced governance standards and institutional experimentation that has for quite some time taken place in this flourishing area of the resource curse and governance of commodity wealth.

2. The land issue – re-framing the challenge

One central problem of urban governance is land management, how to protect related rights and entitlements, how to adjudicate between competing interests how to manage land in the public

² UNDESA (2014): Population Facts, No. 2014/3.

³ For more on this see D. Zinnbauer (2013): “Cities of Integrity: An Overlooked Challenge for Both Urbanists and Anti-Corruption Practitioners-And a Great Opportunity for Fresh Ideas and Alliances”, working paper, available on Social Science Research Network ssrn.com/abstract=2288558.

interest and for future city development? Pointing at the centrality of urban land management for any kind of urban and developmental ambition is not a particularly new or original point. Urban land is a, if not THE key theme in city management and urban development.

This level of attention and sense of urgency related to the urban land question however is not quite shared by the good governance and anti-corruption community. Where land issues are considered by anti-corruption practitioners or scholars they either relate to agricultural land investments and so called rural land grabs or they revolve around issues of high-end real estate deals in a small band of global cities as hotspots for money laundering by corrupt tycoons. Systematic engagement with broader issues around urban land management is rather limited, scattered and typically tied to other, more salient corruption issues.

This is rather unfortunate. As this brief essay argues, exploring the features and dynamics of urban land from an anti-corruption perspective provides an interesting new prism to look at the issues at hand. And it leads to a rather troubling problem diagnosis: urban land looks like a perfect storm of corruption-risk factors.

In fact it may not be too far-fetched to describe the situation as a potential 'urban *land resource curse*': a number of features of urban land markets and management exhibit striking parallels with classic, typically oil-related resource curse situations. And not only that: The degree of and way how these factors manifest themselves in local urban environments look even more problematic than in many national-level resource curse contexts. The urban land governance challenge looks like a particularly complex and nasty resource curse problem.

But even if one buys this line of reasoning that I will seek to develop in the following paragraphs, does bolting a new label onto a long-standing phenomenon really matter? I would argue that it does for at least two reasons: first, it provides a bridging concept to make urban land issues and thus a somewhat overlooked big corruption topic more accessible and salient to anti-corruption and good governance practitioners.

We may have begun to care about a resource curse related to oil, gas, diamonds, lithium and similar commodities that power the conventional or digital world economy and have experienced spikes in value. Yet urban land is not on the radar screen, although it might dwarf many other resource curses in scale and scope.

And, secondly, treating urban land as a resource curse connects urban land practitioners to a treasure trove of insights, lessons, experience and experimentation that has been accumulating around understanding and tackling classic resource curse situations.

Many of the things that have been tried out and learnt with regard to classic resource curse situations might not be applicable to urban land resource curses, but others might well provide some useful guidance and inspiration for experiments and action. This essay focusses on the first, diagnostic part of the story however and seeks to make a case for treating urban land as a resource curse challenge.

3. What is a resource curse?

A resource curse in its political dimension⁴ refers to a situation when large revenues derived from reserves of coveted natural resources such as oil a) attract and incentivize corruption due to formidable prospects for private enrichment, b) undercut fundamental accountability relations, since the resource-related revenues relieve governments of the need to levy taxes broadly across the public, which would establish a certain degree of accountability to its populace and c) such resource-revenues also equip corrupt leaders with the means to purchase collusive cooperation and political

⁴ There is also an important economic dimension to the resource curse when a booming export commodity sector distorts exchange rates and local factor prices and thus may undermine rather than stimulate balanced economic development. This discussion of what is in the economic literature often referred to as the "Dutch Disease" is however only tangentially connected to the governance-centred analysis in the political science and political development field.

support and thus help shore up and reinforce corrupt rent seeking structures. The lure of valuable natural resources foments and reinforces unaccountable, predatory structures that serve as vehicle for corrupt elites to enrich themselves. This dynamic relation between resource rents and corruption is well-documented for many petro-rich countries.⁵ And while not regarded as an inevitable downward spiral there is broad agreement that the resource curse phenomenon poses a very significant risk to resource booms in countries with a broad set of political and economic contexts, particularly where the extant governance structures are already weak. So far, however, the prism of the resource curse has primarily been applied at the national level with regard to the stewardship of a country's resources by the national government.⁶

4. Taking it to the city – the perfect storm of urban land corruption

However, the analytical frame of the resource curse can also be very fruitfully applied at local and particularly city level. At a proof of problem level the harm that financial resource windfalls can produce in weak governance settings at the local level is increasingly evident across a vast number of anecdotal case studies, several of which are referenced in this paper. And a broader, quantitative evidence base is also emerging. In Brazil, for example, sudden spikes in public funding to municipalities have resulted in more corruption in the affected municipalities. A study of more than 600 municipalities found that a 10% spike in public funding is associated with a 24% increase in incidences of corruption by related office holders.⁷ And when applying the analytical toolbox of the resource curse to the commodity of urban land a number of factors suggest strongly that this phenomenon may play out in even more extreme ways at local level in areas of rapid urbanisation. In fact it does not seem too far-fetched to diagnose a confluence of risk factors around urban land that amounts to a perfect storm:

- large windfall revenues: a rapid rise in urban land values due to strong urbanisation pressures and speculative activity;
- a rent-seeking bonanza: city governments can subtly shape, generate and channel fortunes in urban land holdings through a thicket of often very complex, technical transactions, rules and regulations; for many of these interventions it is very difficult to establish the public interests and to understand who exactly benefits how and when
- opacity, secrecy and inconsistencies permeate many segments of urban land markets: unclear ownership rights, a high level of informality, opaque land prices and land markets conspire to provide a fertile ground for illicit enrichment, patronage and other corrupt ways to extract value from urban land for personal enrichment or steering benefits to political allies and business cronies. And at the high end of the market real estate and property have evolved into popular asset classes for money laundering and hiding illicit fortunes building on and further engraining secrecy in transactions and involved principals;
- a troubling empirical track record of wide-spread corruption in urban land management further validates the existence of a particularly acute resource curse problem.

The following sections explore these dynamics in more detail.

⁵ For an overview see J. Frankel (2010): "The Natural Resource Curse. A Survey", RWP 10-005, Faculty Research Working Paper Series, Harvard Kennedy School of Governance; M. Ross (2015): "What Have We Learnt About the Resource Curse?" in: Annual Review of Political Science, vol. 18, pp. 239-59.

⁶ For a summary of the small number of subnational studies on the resource curse see M. Ross (2015): "What Have We Learnt About the Resource Curse?", in: Annual Review of Political Science, vol. 18, pp. 239-59.

⁷ F. Brollo, Nannicini, T., Perotti, R., & Tabellini, G. (2010): "*The Political Resource Curse*", NBER working paper no. w15705, National Bureau of Economic Research.

4.1. Escalating demand – skyrocketing prices and formidable opportunities for public revenue or private enrichment

Continued rapid urbanisation with a more than 70% increase of the global urban population by 2050 from today's levels will fuel demand for urban land and expansion of cities into peri-urban areas. Urban land cover typically grows twice as fast as urban population growth, and cities in developing countries are expected to triple in spatial size by 2030 as compared to 2000.⁸ Even building entirely new cities – an ambition that fell out of favour with architects and planners decades ago – is back on the agenda. Futuristic playgrounds for the global rich are rising in Central Asia and the Middle East. An estimated 200 new cities will have to be built in China. Up to 400 new cities are predicted for India – or the equivalent of an entire Chicago per year in terms of new residential and commercial space, all in order to cope with urbanisation pressures.⁹

To give a sense of the amounts involved: local governments in China are estimated to derive on average 38% of their total revenues (equalling close to 80% of extra-budgetary sources) through the sale of land use rights.¹⁰ Auctions of desert land in Egypt for new city development accounted for 10% of total national government revenue in 2007. In India, Mumbai property values quintupled between 1986 and 1998, while land sales in its new financial centre brought in the equivalent of 10 years of capital spending for the city.¹¹

And even where it is not about land sales, but only about capturing some share of the skyrocketing value of urban land through taxation, the amounts that can be realised are enormous. So-called betterment levies in Bogota, for example, brought in USD 900 million in 2007 and have provided up to 25% of annual revenues of major Colombian cities for decades, while Brazilian municipalities quadrupled their average intake from land taxation by simply updating the underlying land values.¹² Summarizing the evidence of a recent voluminous compendium of related reports on land issues in a set of countries that capture some land value appreciation for the public purse, UNHABITAT concludes that typically in these countries 40-60% of local government revenue is land-related.¹³ All this means that re-zoning and structural urban development decisions - as well as related public takings, land sales, leases and acquisitions - are the major mechanisms to create, capture and allocate urban land asset wealth. It is where public wealth and private fortunes are being created, skilfully distributed or simply embezzled with the overall amounts being lost for the public purse only sporadically coming to light. One anecdotal example in this regard is Guangzhou, China, where in

⁸ S. Angel et al. (2011): "Making Room for a Planet of Cities", Policy Focus Report, Lincoln Institute of Land Policy, January 2011.

⁹ M. Provoost (2012): "Why Build a New Town?", in: *Volume* vol. 34 (City in a Box); McKinsey Global Institute (2010): "India's Urban Awakening. Building Inclusive Cities, Sustaining Economic Growth", McKinsey&Company.

¹⁰ See T. Chen and J. Kung (2014): "Political Resource Curse Under Authoritarianism: Evidence from China", working paper, The Hong Kong University of Science and Technology.

¹¹ See Table A1 in V. Mukhija (2003): *Squatters as Developers: Slum Redevelopment in Mumbai*, Aldershot: Ashgate; G. Peterson (2009): "Unlocking Land Values to Finance Urban Infrastructure", Trends and Policy Options No. 7, PPIAF, Washington DC: The World Bank.

¹² McKinsey (2011): "Strengthening the Foundations of Emerging Cities"; G. Peterson (2009): "Unlocking Land Values to Finance Urban Infrastructure", Trends and Policy Options No. 7, PPIAF, Washington DC: The World Bank; B. Reydon and T. Oliveira (2012): "Brazilian land Tax Decentralization. A Case Study", paper presented at Annual World Bank Conference on Land and Poverty, April 23-26, 2012.; L. Walters (2012): "Land Value Capture in Policy and Practice", paper presented at Annual World Bank Conference on Land and Poverty, April 23-26, 2012.; M. Smolka (2013): *Implementing Value Capture in Latin America*, Cambridge MA: Lincoln Institute of Land Policy.

¹³ UN-Habitat (2011): *Innovative Land and Property Taxation*, Nairobi: Nairobi: UN-Habitat.

1993 the municipal government could account for as little as one-sixth of revenues from urban land from what should have been collected in accordance with actual market prices.¹⁴

4.2. Speculative overdrive and the ensuing difficulty to spot inside jobs and outside manipulations

This insatiable demand for urban land and upward pressure on related prices is further amplified by rampant speculation. Land as a finite, irreproducible resource has evolved into THE major asset class for financial speculation. Estimates suggest that between 60 and 70 % of all banking activity in advanced economies is focussed on speculative land and real estate buying and selling among financial institutions.¹⁵ Property and land price bubbles, much more than speculation in other commodities such as oil or water have been major drivers of financial crisis throughout modern economic history, Overheating land and property markets have been a root cause of the most recent and still smouldering 2008 financial melt-down. And the spectre of a new crop of growing land and property price bubbles is the most acute concern in the current economic climate. Loose monetary policies and low interest rates intent on reviving economic growth are turning land and property into a most coveted asset class. Both old wealth and new cheap money are pouring into these markets that promise much better returns than most other investment options. Corporate purchases of existing properties in the top 100 recipient cities alone is estimated to have totalled USD 600 billion in 2013/14 a remarkable number that jumped even higher to an astounding USD 1 trillion only a year later.¹⁶

The result of this massive speculative engagement in what are often rather thin local property markets in a rather small number of major metropolitan areas are large swings in valuations and price hikes. These wide fluctuations make it not only much more possible to realise extraordinary returns, but also much more difficult to detect abnormal manipulations and trading on insider information than is the case in much deeper and more liquid stock or commodity markets. In the latter erratic price moves and seemingly prescient trades quickly attract attention of the data analysts and regulators trained on spotting red flags for and investigating insider trades.

Finally it is also important to note that these speculative price hikes are not confined to a handful of world cities in advanced economies but that investors and speculators increasingly turn their attention to emerging and frontier markets for urban land and property. Related industry reports, for example, note that Africa is bucking the trend of slowing foreign direct investments and that Sub-Saharan Africa is emerging as a high-growth zone. As a result, for example, five African property markets are being ranked among the top ten most dynamic emerging markets for commercial real estate and property investments¹⁷ and a significant number of Chinese and other Asian cities populate the top 100 high-growth urban property markets.

4.3. Complexities and rent-opportunities - of urban planning and urban policies

Unfortunately, in urban planning and land management this process land-related wealth generation and allotment is not as straightforward as in conventional natural resource extraction, where the

¹⁴ P. Phan (2005): "Enriching the Land or the Political Elite? Lessons from China on Democratization of the Urban Renewal Process.", in: *Pacific Rim Law & Policy Journal*, vol. 14, no. 3.

¹⁵ Adair Turner (2015): *Between Debt and the Devil: Money, Credit and Fixing Global Finance*, presentation at London School of Economics, 21 October 2015.

¹⁶ Industry estimates from Cushman & Wakefield (2015): "Winning in Growth Cities 2015/16, quoted by S. Sassen in *The Guardian Cities: "Who Owns Our Cities"*, 24.11.2015.

¹⁷ Cushman & Wakefield (2015): *Emerging & Frontier Markets Assessing Risk & Opportunity 2015*, for a deeper market analysis see also Jones Lang LaSalle (2015): *Emerging Beyond the Frontier. An Overview of Sub-Saharan Africa's Real Estate Capital Markets*.

related commodities are relatively well-defined, their valuation quite directly shaped by typically openly available market prices, and where it is at least in principle possible to track who gets what and determine to what extent the public interest is served. In contrast, these issues are much more complex, indirect and subjective in the area of urban land governance. Starting at the most fundamental level, even putting a value on urban land and charting related price trends is all but impossible for many urban land markets in developing cities, since most transactions are shrouded in opacity and sufficient market data is simply still not available. In addition, ascertaining which planning decisions are truly in the public interest is difficult at best and often near to impossible.

The diversity of stakeholders in urban development from informal vendors to international investors, from recent arrivals to established communities is enormous. Competing interests at stakeholder level are mirrored and further fuelled by a profound plurality of normative notions and ambitions for urban planning and urban development and thus disagreements about the most appropriate development models, and a general reluctance by urban specialists to over-determine plans and future structures.¹⁸

Tracing who is benefiting to what degree when can be equally treacherous for the non-specialist when faced with a large menu of rules and regulations that work their way indirectly and mediated through socio-economic and spatial dynamics into the valuations of land and profitability of specific property holdings. And apportioning responsibility or finding proof for malicious intent is further complicated even in a perfectly transparent planning environment due to significant professional discretion in underpinning valuations and a very wide spectrum of potentially defensible planning decisions.¹⁹

4.4. Opaqueness, informality and backlogs

Given these immense stakes and degree of difficulty in arriving at public interest outcomes, transparent, accountable planning and land governance procedures should be imperative. Unfortunately, the opposite is the case. Most of the available evidence suggests that existing urban governance systems are ill-equipped to manage this wealth accountably through sound decision-making, registration, taxation and related accounting practices.

Red tape is ubiquitous and transparency largely absent. Eight out of the 20 most rapidly urbanising countries rank in the bottom quartile of all countries globally in terms of bureaucratic hurdles to registering property. Only half of these 20 countries make fee information for property transfers available through brochures or noticeboards, and as few as five provide this information online.²⁰ Partly as a cause, partly as a consequence, related administrative authorities are unable to cope with demands. The city of Dar es Salaam, for example, received more than 200,000 planning applications between 1990 and 2001, and was able to process fewer than 5%.²¹

¹⁸ For a discussion of some of the main urban planning theories in the context of African urban development see V. Watson, (2002): "The Usefulness of Normative Planning Theories in the Context of Sub-Saharan Africa", in: *Planning Theory*, vol. 1, no. 1.

¹⁹ For the contested nature of urban planning and the public interest more generally see for example J. Dodson, E. Coiacetto et al. (2006): "Corruption in the Australian Land Development Process. Identifying a Research Agenda", Refereed Proceedings of the 2nd Bi-Annual National Conference on the State of Australian Cities; S. Sberna and A. Vannucci (draft, forthcoming): "Le Mani Sulle Città. Corruzione e Infiltrazioni Criminali nel Governo del Territorio. For case studies on China see for example P. Phan (2005): "Enriching the Land or the Political Elite? Lessons from China on Democratization of the Urban Renewal Process.", in: *Pacific Rim Law & Policy Journal*, vol. 14, no. 3.

²⁰ Own calculations based on UNDESA (2011): *World Urbanization Prospects. The 2011 Revision*, New York: UNDESA Population Division and on World Bank (2013): "Doing Business 2013", Washington DC: World Bank.

²¹ S. Fox (2013): "The Political Economy of Slums: Theory and Evidence from Sub-Saharan Africa", Working Paper No.13-146, Department for International Development, London School of Economics.

Even more worryingly, the bulk of municipal land sales is believed to happen off-budget, or is based on opaque valuations. At the heart of the problem is what is often referred to as a 'land regulation crisis: as few as 30% of plots in developing countries are estimated to be formally registered.²²

Insufficiently coordinated and recorded land (re)allocation practices have over decades or even centuries created a patchwork of overlapping customary and statutory systems and conflicting claims, creating profound tenure insecurity, a dearth of reliable information on land ownership, and a legal twilight zone that invites arbitrary administrative decisions and corruption.²³

The frustration vented by a private developer during a recent industry conference summarises the situation in many cities quite well: "*Existing cities are too messy, the ownership of land too uncertain: in Nairobi you'd spend two to three years working out whether what you have is a clean title of whether there are two or three other copies out there.*"²⁴ In addition, various formalisation efforts have proven rather ineffective and in many instances abetted land grabs by the urban elites due to weak governance structures and privileged access to the knowledge, means and mechanism of formalisation.²⁵

4.5. Patronage, vested interests in the status quo, and contagion of the broader institutional system

Incentives to change the status quo of opaque and insecure land sales and tenure arrangements are limited, since public officials and politicians are often found to benefit handsomely from systems that help them enrich themselves or secure political support through related patronage systems. A study of Kibera, the largest slum in Nairobi, for example, found that more than 90% of households out of a population of 800,000 pay more than 30 million USD annually in rent to absentee landlords, more than half of which were believed to be public officials or politicians.²⁶ Moreover, urban land and housing have become a popular currency for patronage, because shrinking public budgets, more streamlined public bureaucracies better monitoring of financial flows have made traditional patronage – the steering of public sector jobs and projects to allies for securing political support – more difficult to use.²⁷

Against this backdrop of immense values to be managed and the rather dysfunctional and often self-serving systems to do so, it is not surprising that there seems to be a never-ending stream of corruption cases as alluded to earlier. The often lurid details that have come to light provide a glimpse into the lows of insidiousness and ingenuity to which corruption in urban land sales and development

²² M. Sioufi (2011): "Land and Climate Change in a New Urban World", in: *Urban World*, vol. 3, no. 1, Nairobi: UN-Habitat

²³ See H. Magel and B. Wehrmann (2001): "Applying Good Governance to Urban Land Management. Why and How" in: *Zeitschrift fuer Vermessungswesen*, vol. 12, no. 6.

²⁴ Developer quoted at Economist Future Cities conference for Africa, 2012

²⁵ T. Benjaminsen et al. (2009): "Formalisation of Land Rights. Some Empirical Evidence from Mali, Niger and South Africa", in: *Land Use Policy*, vol. 26, no. 1; R. Meinzen-Dick and E. Mwangi (2009): "Cutting the Web of Interests. Pitfalls of Formalizing Property Rights", in: *Land Use Policy*, vol. 26, no. 1.

²⁶ S. Fox (2013): "The Political Economy of Slums: Theory and Evidence from Sub-Saharan Africa", Working Paper No.13-146, Department for International Development, London School of Economics; specifically on Kibera see F. Dafe (2009): "No Business Like Slum Business? The Political Economy of the Continued Existence of Slums. A Case Study of Nairobi", Working Paper No. 09-98, Development Studies Institute, London School of Economics.

²⁷ For Kenya see Kenya: Klopp, J. M. (2000). Pilfering the public: the problem of land grabbing in contemporary Kenya. *Africa Today*, 47(1), 7-26. Urban land and housing as patronage is not confined to the Global South however, but has been documented for cities such as Paris or Rome as well.

descends, from using prostitutes to blackmail public officials into land sales in China to deeply interwoven urban development rackets between police, politicians and organised crime in Mumbai and many Italian cities.²⁸

What many of these and other cases also demonstrate is that analogous to a classic resource curse, the corruption issues are not confined to a small segment of actors and institutions, but tend to infect and undermine the entire institutional governance structures of communities.

As has been amply documented for corruption in natural resources, diverting resource rents into private pockets depends on a wide band of additional actors, from complicit courts that depress compensation claims and rubber-stamp permits, to local police that look the other way or actively help to quell resistance of local landowners or users who are evicted, to abetting lawyers and accountants who help to hide and transfer the illicit gains. All these actors are either bought off or otherwise persuaded to come on board and become complicit in corruption rackets.

Again, this involvement and infestation of other institutions and actors can plausibly be expected to play out in even more dramatic terms in relation to urban land issues, since the resistance to be overcome is likely to be more vocal, visible, intense and organised in peri-urban areas or densely populated inner-city communities up for re-development than in remote, sparsely populated rural regions where natural resource extraction takes place. A growing body of evidence confirms that the struggles around urban land are indeed intense. In Delhi, India at least 60,000 households are estimated to have been displaced between 1990 and 2007.²⁹ Public disgruntlement about unfair land management practices frequently escalates into social unrest. In China, where local authorities are estimated to secure mark-ups of up to 4500% between the low compensation they pay for rural-land expropriation and the high re-sale price to urban developers as many as two-thirds of the more than 180,000 mass incidents reported for 2010 were related to forced land appropriations, a number that has since then decreased somewhat in line with the economic slowdown.³⁰

Where physical presence and resistance necessitates forced evictions, complicit local courts and police forces are essential to make these corrupt land rackets function. This much more profoundly undermines and captures local institutions beyond the collusion between urban developers and officials.

4.6. Dark corners and some dubious players

Finally, there is also an often overlooked international dimension to the urban land and corruption problem: urban land and property has evolved into a popular asset class for organised crime and kleptocrats to help them invest, hide and launder their ill-gotten gains. Every year up to USD 2 trillion of ill-gotten gains is believed to be laundered in the global financial system. Know-your-customer requirements that apply to the global banking industry and help protect against money laundering are insufficiently applied to global real estate transactions. In seven G20 countries with some of the most dynamic property markets (Australia, Canada, South Africa, South Korea, UK and US) for example real estate agents are not even required by law to identify all the real persons behind transactions that they help execute.³¹

²⁸ See “The Just Sisters Defense: China’s Sex-Scandal Surge”, New Yorker Daily Comment Blog, 11.12. 2011; L. Weinstein (2008): “Mumbai’s Development Mafias. Globalisation, Organized Crime and Land Development”, in: *International Journal of Urban and Regional Research*, vol. 32, no. 1.

²⁹ G. Bhan and S. Shivanand (2012): “(Un)settling the City. Analyzing Displacement in Delhi from 1990-2007”, Working Paper of the IHS Evictions Project, Indian Institute for Human Settlements.

³⁰ The Age (Australia): “China’s Land Seizures Drop”, 14.10.2012. For a detailed account on urban land management corruption in China see also P. Phan (2005): “Enriching the Land or the Political Elite? Lessons from China on Democratization of the Urban Renewal Process.”, in: *Pacific Rim Law & Policy Journal*, vol. 14, no.3.

³¹ Transparency International (2015): “Just for Show? Reviewing G20 Promises on Beneficial Ownership”, Berlin:TI

As a result, shell companies the ultimate controlling owners of which are not publicly known by now account for a significant share or even dominate some of the most important property markets. In London, for example, more than 36,000 properties covering 5.7 square kilometres are owned by shell companies, with close to half of these anonymous ownerships concentrated in the most expensive boroughs of Westminster and Kensington & Chelsea.³² And as several large-scale investigations have revealed property deals via shell companies are not infrequently associated with money laundering and investments of illicit gains by some of the most dubious powerbrokers in the world.³³

This susceptibility to money laundering and organised crime and the additional layers of anonymity and opacity that come with it makes it even more difficult to follow the money and channelling of wealth across urban land markets and thus exacerbates the risks for a resource curse situation.

4.7. Urban land corruption at the retail level – a devastating track record

Grand corruption in urban land management is only part of the story, however. Survey data also suggests that urban land governance is riddled with corruption down to the retail level. Globally a remarkable one in five people reported to have been asked for bribes when using land registration services.³⁴ Half of the 10 fastest growing megacities are in countries with serious corruption issue in land registration. Between 30% (Nigeria) and 60% (Pakistan/India) of people that had to deal with land services were asked to pay bribes.³⁵ A whopping 88% of respondents to a recent online poll in India indicated that it is impossible to register land without paying bribes.³⁶ Such concerns about corruption in land management are also shared by businesses. In Russia, for example, access to land, real estate and construction permits have been rated as the most serious obstacles to business development, particularly for smaller enterprises.³⁷ In China authorities took action against local officials in as many as 168,000 illegal land deals in 2003 alone.³⁸ Emerging data from anti-corruption helplines operated by Transparency International further confirms these findings. The majority of anti-corruption complaints were received from urban areas and corruption in relation to land issue was the main area of complaints in this segment.³⁹

The very few available studies that have looked at the risks of corruption in urban planning further corroborate the emerging picture. More than a quarter of public corruption cases that the news media reported on in Italy between 1970 and 1986 related to building permits. More than 20% of corruption complaints received by the Australian NSW Independent Commission Against Corruption between

³² Transparency International UK (2015): “Corruption on Your Doorstep”, London: TI UK.

³³ See for example Global Witness (2015): “Mystery on Baker Street”, New York Times: *Towers of Secrecy*, 2015 (a series of investigative reports into the ownership of trophy real estate in NYC) or the New Yorker: “London’s Most Mysterious Mansion”, June 1, 2015.

³⁴ Transparency International (2013): “Global Corruption Barometer 2013”, Berlin: TI

³⁵ Own calculations based on UNDESA (2011): *World Urbanization Prospects. The 2011 Revision*, New York: UNDESA Population Division; and Transparency International (2011: “Global Corruption Barometer 2010/11”, Berlin: TI.

³⁶ Data reported in P. Healy and K. Ramanna (2013): “When the Crowd Fights Corruption”, in: Harvard Business Review, Jan-Feb 2013.

³⁷ G. Kisunko and J. Cooldige (2007): “Survey of Land and Real Estate Transactions in the Russian Federation: Statistical Analysis of Selected Hypotheses”, World Bank Policy Research Working Paper No. 4115

³⁸ P. Phan (2005): “Enriching the Land or the Political Elite? Lessons from China on Democratization of the Urban Renewal Process.”, in: *Pacific Rim Law & Policy Journal*, vol. 14, no. 3.

³⁹ Data from an analysis of Transparency International’s Advocacy and Legal Advice Centres in 14 countries, primarily located in Africa and the Asia-Pacific.

2000 and 2004 related to corruption in relation to building and development, while close to a quarter of reported corruption cases in the US between 1970 and 1976 had to do with urban planning issues.⁴⁰ Most recently a comprehensive study on local level corruption in Spain found that 88% of all cases between 2000 and 2008 were related to land issues and urban planning.⁴¹

5. Fixing curses – old and new

All these dynamics indicates that something akin to an urban land resource curse is likely to be a real risk in many urban areas around the world, and likely to play out in similar or even more drastic and consequential terms than for conventional natural resources.

It is therefore particularly unfortunate that systematic research into this phenomenon is as of yet rather limited, and corruption so far has not assumed a particularly salient role in the theories and practice of urban land management and planning. Surveying the related literature against the backdrop of realities of urban land development practices in Australia, some expert observers note that *“despite the scholarly attempts to comprehend the land development process in cities, planning scholars have been deliberately or inadvertently ignorant of questions of corruption. This situation is peculiar given the potential for corruption to occur either grossly or subtly in planning processes.”*⁴²

All this is even more disconcerting when considering that this urban land resource curse does not only causes financial losses for the public purse. As mentioned earlier, urban land and its management play a key role for our common urban future. Done properly, urban land management can lay the foundations for inclusive, prosperous, just and green cities. Done badly, it will fuel kleptocratic rackets, exacerbate inequalities, further marginalise and undermine the livelihoods of billions of urban poor, increase the vulnerability to natural disasters, and hardwire dysfunctional economic and social relations into urban communities, a blunder that will stifle the development of cities for decades to come.⁴³

Considering all the problems that beset urban land management fixing this situation may look like an intractable task that continues to frustrate urban practitioners. As always- no quick fixes or magic bullet solution offer themselves up.

And to be sure there are many relevant and specific ideas and solutions on the table and being tried out that are completely specific and exclusive to urban land markets.⁴⁴

⁴⁰ Research reports referenced in S. Sberna and A. Vannucci (draft, forthcoming): “Le Mani sulle Città. Corruzione e Infiltrazioni Criminali nel Governo del Territorio.

⁴¹ L. Darias; V. Martin et al. (2012): “Aproximación a Una Geografía de la Corrupción Urbanística en España”, in: *Ería*, vol. 87.

⁴² J. Dodson, E. Coiacetto et al. (2006): “Corruption in the Australian Land Development Process. Identifying a Research Agenda”, *Refereed Proceedings of the 2nd Bi-Annual National Conference on the State of Australian Cities, Brisbane 30th November – 2nd December 2005.*

⁴³ Urban land governance is recognised as a pivotal element in containing the fallout from natural disasters. In a 2012 UN poll for example 75% of urban risk management experts, for example, viewed as a top priority issue to ensure that land use, urban planning and building codes incorporate measures for disaster risk reduction (see UNISDR: “Cities Identify HFA2 Priorities in New Survey”, press release, 27.2.2012).

⁴⁴ Examples include several approaches related to betterment levies and land value capture (M. Smolka (2012): *A New Look at Value Capture in Latin America*, Lincoln Land Institute, Boston: LLI).; and more generally about ways to organise planning to reduce rent-seeking opportunities (Chiodelli, F. and Moroni, S. (2015): “Corruption in land-use issues: a crucial challenge for planning theory and practice”, in: *Town Planning Review*, vol. 86, no. 4: 437-455 ,

Yet, at the same time, viewing urban land governance through the prism of a resource curse situation may open the door to inspiration, new ideas and perhaps also to borrow some fresh hope from long-standing efforts to tackle commodity resource curses.

Such efforts have spawned some trailblazing collective action and transparency initiatives and produced some successes for what also looked like a very intractable problem. It is beyond the scope of this essay to explore these insights, tested tools and innovations in detail, so I conclude by flagging some related practices and ideas in the areas of collective action, transparency standards and revenue use arrangements that could be clustered under the label of new social compacts.

5.1. Collective action initiatives

Resource curse situation with regard to oil and minerals have given rise to the first major posterchild of collective action in industry integrity, the Extractive Industries Transparency Initiative. Since then the EITI has inspired similar approach in a growing number of other sectors including construction, pharmaceuticals, aid and, most recently, fisheries and the garment sector⁴⁵

The basic idea of all these initiatives is to bring together all major stakeholders, help raise the level of trust and mutual commitment to the cause of anti-corruption and introduce progressively evolving transparency standards to be followed by industry players and government counterparts alike. Collective action issues are at the heart of many resource curse issues. Businesses claim that they cannot commit to higher standards of integrity and transparency as long as their competitors do not follow suit and would thus gain an unfair advantage. Governments claim that they cannot raise the bar unilaterally since investors would be able to arbitrage across jurisdictions and punish them through withdrawing much needed investments. NGOs acknowledge that they need to work in much more joined up fashion with business, government, investigative journalists and concerned citizens to be able to effectively monitor commitments and performance. Many of these multi-stakeholder initiatives respond directly to and seek to ameliorate these multiple collective action problems and have been found to be at least partially successful.⁴⁶

How could a similar multi-stakeholder initiative around integrity in urban land issues look like? International property investors and service providers such as Jones Lang LaSalle are already engaging in very comprehensive market integrity and transparency diagnostics such as the Global Real Estate Transparency Index⁴⁷. These efforts and related industry commitments to help foster more transparent market environments could be much more linked up to related evolving diagnostics and advocacy on the civil society side, such as Transparency International's expanding work on local integrity systems, transparency standards for municipalities or local social accountability initiatives. And it could directly involve local policy-makers and government officials that are showing a growing eagerness to tackle corruption issues as a central impediment to the development of their cities.

⁴⁵ Medicines Transparency Alliance (2008): <http://www.medicinestransparency.org/>; International Aid Transparency Initiative (2008): <http://www.aidtransparency.net/>; Construction Sector Transparency Initiative (2012): <http://www.constructiontransparency.org/>; Garment Industry Transparency Initiative 2015: <http://en.governance-platform.org/governance-projects/giti/>; Fisheries Industry Transparency Initiative 2015: <http://en.governance-platform.org/governance-projects/fiti/>

⁴⁶ A recent meta-assessment of empirical evidence on EITI, for example, finds a number of significant achievements in raising awareness, attracting crucial new stakeholders and improving transparency standards in the extractives sector (see Rustad, S. A., Le Billon, P., & Lujala, P. (2017). Has the Extractive Industries Transparency Initiative been a success? Identifying and evaluating EITI goals. *Resources Policy*, 51, 151-162).

⁴⁷ <http://www.jll.com/GRETI>.

5.2. High standards of transparency – extractives push the envelope – and the urban land sector has begun to follow

The spectre of the resource curse in conventional commodities has also spawned a set of regulatory and advocacy efforts and innovations to dramatically enhance transparency standards, turning these sectors into normative trailblazers on this front. The 2010 US Dodd-Frank Wall Street Reform and Consumer Protection Act, for example, also includes a most notable section on mandating all US listed companies in the oil, gas and mining sector to disclose payments made to foreign governments in relation to projects in these countries. While US President Trump has expressed his intention to scrap this provision the EU has already followed-suit and set the bar even higher in amendments to its Transparency and Accounting Directives. Passed in 2013 and expected to be implemented at national level from 2015 onwards these rules mandate extractives and logging companies registered in the European Economic area to disclose detailed payments to governments on a country-by-country, as well as project-by-project basis with tough punishments in case of non-compliance.⁴⁸ Property and real-estate markets have a long way to go to catch up with these transparency standards for their peers in the extractives world, yet improvements are becoming discernible. The higher end of urban land markets, the segments where international investors are involved are seeing some progress on transparency of market information and regulation around the world, albeit often from a rather low basis.⁴⁹ And following the exposed problems of money laundering through international real estates a number of policy-leaders particularly in the context of the G20 process have vowed to work towards greater market transparency, especially with regard to disclosure of beneficial ownership structures.⁵⁰ City leaders and industry stakeholders could support and further incentivise such efforts. For example, beneficial ownership and payments disclosure could be mandated at local level for public land sales by advancing the rationale of *know your neighbour and community investor*. Or one could follow the innovative example of Sao Tome and Principe that offer the legal possibility to void extractives-related contracts for transactions that do not fulfil the publicness criteria.⁵¹

5.3. A new social compact around land wealth distribution inspired by resource curse remedies?

The resource curse in extractive has also prodded some innovative thinking on new models for responsible stewardship and inclusive enjoyment for the ensuing windfall profits.⁵² Sovereign wealth funds have become a popular mechanism to collect and invest commodity wealth for current and future generations. Perhaps municipal property wealth funds could be envisioned to be established on

⁴⁸ For a summary see European Commission (2013): “New disclosure Requirements for the Extractive Industry and Loggers of Primary Forests in the Accounting (and Transparency) Directives (Country by Country Reporting) – frequently asked questions”, Memo, June 12, 2013; and for a comparison of the EITI, US and EU approaches to extractives transparency see Ernst & Young (2013): *Disclosing Government Payments*, London: EY.

⁴⁹ Jones Lang LaSalle (2016): “Global Real Estate Transparency Index 2016: Taking Real Estate Transparency to the Next Level”, London: JLL

⁵⁰ G20 (2014): “G20 High-Level Principles on Beneficial Ownership Transparency”, available at https://g20.org/wp-content/uploads/2014/12/g20_high-level_principles_beneficial_ownership_transparency.pdf

⁵¹ Frankel, J. A. (2010). *The Natural Resource Curse: a Survey*, working paper no. w15836, National Bureau of Economic Research.

⁵² For overviews of related measures some of which are flagged in the following paragraphs see N. Barma; K. Kaiser, & Le, T. M. (eds.) (2012), *Rents to Riches?: The Political Economy of Natural Resource-led Development*. World Bank Publications; Frankel, J. A. (2010). *The Natural Resource Curse: a Survey*, working paper no. w15836, National Bureau of Economic Research..

a similar template adopting and adapting some of the good governance and management principles that are increasingly promoted and monitored for national level sovereign wealth funds.⁵³ Besides sovereign wealth funds other ideas to ring-fence commodity wealth management and investment from broader, possibly corruption-riddled governance contexts include the establishment of resource-financed infrastructure funding mechanism that commit future extractives revenues directly to current infrastructure investments and the payback of related development loans.⁵⁴ And another much discussed avenue for innovative and more accountable commodity wealth management aims at directly paying out windfall proceeds or some portion thereof to citizens as direct dividend payments. The idea is to allow households to invest according to their own needs and also instil a stronger demand for accountability and corruption-free public wealth extraction, since anything that goes missing will directly translate into lower payments to citizens.⁵⁵ Thinking on how to manage and distribute wealth from urban land might be able to draw inspiration and borrow selectively from these efforts.

6. Looking ahead

As these examples show thinking about urban land governance from the perspective of the resource curse offers a trove of opportunities for inspiration and ideation. Many other possible cross-fertilisations could be explored from an emerging focus in extractive transparency work from producing to better using data, to more targeted support for third party monitors and community feedback and to advances in tactics for asset recovery to recoup illicit gains. Recognising urban land issues as a high alert for a resource curse

Move over oil and gas and minerals and water - urban land is the latest and perhaps most insidious and acute instance of a resource curse to be dealt with and there is an entire community of experts and their rich stock of expertise out there to tap into and harness for tackling it.

⁵³ See Transparency International (2009): "Shedding more light on the transparency and accountability of sovereign wealth funds: ranking exercises", in: Transparency International: *Global Corruption Report 2009*, Berlin: TI.

⁵⁴ Halland, H., Beardsworth, J., Land, B., & Schmidt, J. (2014). *Resource Financed Infrastructure: A Discussion on a New Form of Infrastructure Financing*. World Bank Publications.

⁵⁵ M. Giugale, & Nguyen, N. T. V. (2014): "Money to the People: Estimates of the Potential Scale of Direct Dividend Payments in Africa", Center for Global Development, Policy Paper, 43; Gupta, S., Segura-Ubiergo, A., & Flores, E. (2014). *Direct Distribution of Resource Revenues: Worth Considering?* (No. 14/5). International Monetary Fund.