INTERNATIONAL PROPERTY MARKET SCORECARD – A TOOL FOR DATA COLLECTION

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Abstract

Understanding property rights often remains limited to property titles without deeper appreciation of the underlying and interconnected institutions that make property rights meaningful and contributing to overall economic development; however, in most countries private property rights are legally protected that protection changes greatly in practice because the implementing rules and data collection that shape property market transparency remain weak. The International Property Markets Scorecard is a tool that collects data from 54 different indicators under six core elements: (i) property rights laws and enforcement, (ii) access to credit by small businesses, (iii) efficiency of governance, (iv) rational dispute resolution, (v) financial transparency, and (vi) appropriate regulations. The six core elements of the International Property Markets Scorecard map the institutional components of property markets and evaluate their effectiveness.

The Scorecard has two levels of study: secondary research and field assessments of current property market conditions. The implementation of the Scorecard has proven successful in a multiregional study in Armenia, China, Kenya and the Philippines by collecting data and identifying underlining obstacles that small businesses face in urban commercial property markets; therefore, the Scorecard is a mechanism for in-country reformers, international policy advisors, and market analysts as it provides comprehensive snapshots of market conditions, identifying key areas for reform and market risks.

Key Words:

1. Data Collection
2. International Data Standards
3. Property Markets
4. Transparency
UN HABITAT NEW URBAN AGENDA PARAGRAPH 104, ADOPTED BY THE GENERAL ASSEMBLY ON DECEMBER 23, 2016

“We will promote compliance with legal requirements through strong inclusive management frameworks and accountable institutions that deal with land registration and governance, applying a transparent and sustainable management and use of land, property registration, and sound financial system. We will support local governments and relevant stakeholders, through a variety of mechanisms, in developing and using basic land inventory information, such as a cadaster, valuation and risk maps, as well as land and
housing price records to generate the high quality, timely, and reliable disaggregated data by income, sex, age, race, ethnicity, migration status, disability, geographic location, and other characteristics relevant in national context, needed to assess changes in land values, while ensuring that these data will not be used for discriminatory policies on land use.”

WHY PROPERTY MARKETS AND RIGHTS COUNT

Property rights constitute one of the most fundamental principles protected in Article 17 of the United Nation’s Declaration of Human Rights and are constitutionally secured in most countries. Regardless of the global recognition of the critical role that property rights play in building peaceful, democratic and thriving societies, access to and protection of property rights differ significantly in practice.

Furthermore, in a large number of countries property rights are generally limited to property titles without greater appreciation of the related and interconnected institutions which allow property markets to work and contribute to overall economic development.

Economist Hernando de Soto asked why cities across developing economies with abounding entrepreneurs seem unable to lift the counties to market economies. The response, he contends, is that they hold “resources in defective forms: houses built on land whose ownership rights are not adequately recorded, unincorporated businesses with undefined liability, industries located where financiers and investors cannot see them.”

According to Mr. de Soto’s research, such informal property rights include assets—particularly, land and housing—valued at many billions of dollars. Informal systems of property rights generally render such assets “dead capital”, implying that it is difficult to use them as collateral for loans, which in turn could be used to establish a business, for example. “Bringing these rights into the formal legal system will unleash this capital and spur growth, asserts Mr. de Soto: an efficient, inclusive legal system preceded rapid development in every rich country.”

Therefore, lack of title to the local where a small business operates will limit the entrepreneur’s ability to secure loans. Similarly, if the justice system is dysfunctional, small entrepreneurs will be unable to rational settle disputes over property rights or other business issues. If rules and regulations on business

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2 The economist versus the terrorist - Hernando de Soto believes that capitalism can defeat terrorism, the Economist Jan 30th 2003. [http://www.economist.com/node/1559905](http://www.economist.com/node/1559905)
conduct are complicated and expensive to comply with, or if there is corruption among land and tax officials, small businesses are obliged to function in the informal sector.

These examples demonstrate that property markets are multi-faceted institutional systems that affect critical issues for all individuals but particularly fundamental for small businesses, including access to credit and relevant government regulation. In this light, property markets constitute a microcosm showing the state of a country’s institutions that shape democracies and market economies.

**WHAT IS THE SCORECARD?**

![Cambodia Property Markets Scorecard](image-url)
The International Property Markets Scorecard (Scorecard) is a tool jointly developed by the Center for International Private Enterprise (CIPE) and the International Real Property Foundation (IRPF) to collect data from 54 different indicators and map the institutional components of property markets and evaluate their effectiveness.

The Scorecard is a tool for in-country reformers, international policy advisors, and market analysts. It provides comprehensive snapshots of market conditions, identifying key areas for reform as well as market risks. The Scorecard can be used for research, comparative country studies, and evaluating the opportunities for investment, among many other uses.

Civil society is the protection between the appetite of business and the restraint of regulations – especially organizations that support and advise individuals and businesses in completing property transactions. Over the last several decades property markets have accelerated faster than the ability of analysts, advisors and regulators to intermediate between inevitable cycles. The World Trade Organization leads the way in the trade of goods across borders. The United Nations provides a means by which governments can consider and resolve international disputes. Property markets need a common set of rules and regulations to promote standards, measure performance, protect the public and drive innovation.

Financial intermediation is critical in a sound economy. The most recent worldwide economic downturn undoubtedly shows that the growth of property markets has exceeded the skills of the intermediary professionals necessary to mitigate between cycles of boom and bust

“During a credit boom that accompanies financial liberalization, the pressures to lend create credit compromises. In environments that lack an adequate base of skills, financial intermediaries do not have the capacity to introduce a sophisticated credit culture and are unable to scrutinize and evaluate the finances of corporations or the value of real estate collateral. In situations that lack reliable financial analysis regarding the viability of loans to corporations or projects, banks lend to projects about which they do not have sufficient financial knowledge. Instead, they rely too heavily on collateral and personal (and implicit government) guarantees. In short, in countries that suffer bubbles, the skills in the financial system are inadequate to measure and assess risk in a deregulated and competitive environment.”

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Many countries still have a critical shortage of financial intermediation support professionals including informed regulators, attorneys and judges, ethical brokers and valuers, insolvency experts and other analysts and advisors. The Scorecard can be used to underline how critical it is for a country to develop these professionals. As markets mature and these professionals are nurtured, they must be continuously developed as market risks become more complex and amplified by liberalization and expansion through securitization.

**WHAT IS ITS GOAL? PURPOSE?**

The goal of International Property Markets Scorecard is to accurately map the ecosystem of property markets in different countries and to collect data on the areas of strength and weakness as well as opportunities for reform.

Balanced scorecards help everyone better understand the interconnectedness of international property markets and the critical connections between property market development and overall economic development.

Through pursuing its objectives with tools such as the Scorecard, IRPF also contributes to the larger development goals of strengthening real estate capital markets, effecting legal and regulatory reform strategies and streamlining and helping to develop transparent land titling/registration systems. IRPF’s expertise comes from the large pool of practitioners and professional experts to which the Foundation has unique and deep access through its strategic partner affiliations in the U.S. and around the world. This has led IRPF to be considered by USAID as the “standard setter” in real estate education, association development and market assessments and its involvement as the co-founder of the Scorecard.

**THE METHODOLOGY**

The Scorecard provides a methodology for property market data collection and system analysis to investigate the six core elements necessary for sustainable property market development. These core elements help to distribute power and economic opportunity: property rights, access to credit, effective governance, rational dispute resolution, financial transparency, and appropriate regulation.

As mentioned before, the Scorecard gathers data from 54 different indicators from a pool of public sources, including the World Economic Forum’s Global Competitiveness Report, World Bank’s Doing Business Report, The Heritage Foundation’s Index of Economic Freedom and expands this information
with targeted field work. Therefore, it has two levels of study: secondary research and field assessments of current property market conditions. The data used is as current as possible and updated periodically.

Each core element has three lead indicators that are further divvied into sub-indicators. Colors indicate the strength of institutions that support market development – very strong, strong, weak, and very weak. Gray signifies that more information is needed for an objective determination.

Property markets are inherently local and can vary widely from one city to another, even from one block to the next. The Scorecard is meant to measure how policy decisions, levels of implementation and transparent and accurate data availability affect property markets.

**SIX CORE ELEMENTS**

The Scorecard presents the complicated concepts of property markets in an understandable way. It helps countries identify the elements necessary to move from property rights, through financial intermediation and to arrive at efficient and transparent property markets. The Scorecard highlights the backwards and forwards linkages between the various microeconomic factors necessary for rational property market development.

**CORE ELEMENT 1: PROPERTY RIGHTS**

“A good legal property system is a medium that allows us to understand each other, make connections, and synthesize knowledge about our assets to enhance our productivity.” - Hernando De Soto, Mystery of Capital, p. 218

Property rights include more than ownership. The laws that form the foundation of property rights organize and drive the market. Effective property systems represent assets in standardized ways. Institutions that support property markets allow owners to verify and transfer the value of their assets.
This core element goal centers on property rights that are legally protected, secure, recorded in a single, accurate, widely accessible electronic registry and that lead to high levels of formal ownership for all citizens - ranging from quite informal (very weak) to the super formal (very strong) with accurately recorded private titles.

Its lead indicators include: Legal Protection and Registries and its sub indicators include legal framework, secure tenure, cadastral information and zoning.

PHILIPPINES CASE STUDY
The legal framework that deals with securing and protecting property rights is well defined thanks to the constitutional provisions, Philippine Civil Code on ownership, Administrative Code, and related laws and regulations at the national and municipal levels. Rules on government expropriation are also clear and citizens can challenge the legality of state decisions (Rule 67, Revised Rules of Court). Nonetheless, businesses report that there is a discrepancy between laws on the books and how they are applied in practice.
Cadastral information is currently publicly available on the website of the Department of Environment and Natural resources but it is incomplete with over 5.6 million hectares that have not yet been surveyed. There are also proposals in Congress to have a new cadastral survey for the entire Philippines. The system used by the Land Registration Authority is the Torrens System of title guarantees by the government, an internationally accepted standard. However, transactions with title registries take too long (39 days, because of 8 steps involved) and cost too much for small businesses (4.8 percent of the transaction value, not including creditable withholding tax).

The extent of informal settlements is a serious problem impeding the development of secure property rights system in the Philippines. According to the United Nations Development Program, in 2005, close to half (43.7 percent) of the population were living in slums, and were thus unregistered. Informality in the business sector is likewise an issue, with 37.5 percent of firms reporting competition with unregistered or informal firms. This is evidence that barriers or disincentives to formal ownership of property persist.

One key factor contributing to extensive informality is the aforementioned lax implementation of the laws on property rights, in part due to bureaucracy involved. There are 19 agencies involved in property administration and new laws are continually being passed. Many of the laws are outdated and conflicting, and there are inconsistencies and overlap between the function and mandates of the agencies. Thus there remains a large presence of unregistered or illegal uses of property, as well as a large presence of informal markets for goods. Small businesses see that the rule of law is not followed and are therefore discouraged from participating in the formal system.

**CORE ELEMENT 2: ACCESS TO CREDIT**

“Giving the poor access to credit allows them to immediately put into practice what they already know – to weave, to husk rice patty, raise cows, and peddle a rickshaw. And the cash they earn is then a tool, a key that unlocks a host of other abilities and allows them to explore their own potential. Often borrows teach each other new techniques that allow them to better use their survival skills. They teach far better than we ever could.”

- Muhammed Yunnus, *Banker to the Poor*, p. 140

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Legally protected, secure and standardized recording of property rights is only the first step in building property markets. Without the ability to use property as collateral for loans, the titles in owners’ hands still represent “dead capital” – assets that cannot be collateralized or sold. Access to credit needs to be available on a scale that corresponds to the development of the market. Over the last decades microfinance has helped bring many of the poor into the financial system through the use of support groups, pooled savings and microloans.

The goal of the Access to Credit element is achieving an efficient, transparent financial sector that provides a broad range of citizens with access to multiple forms of competitive credit so that they can start businesses, build wealth, and purchase property.

Banks, Other Sources and Credit Bureaus are the lead indicators for this component with sub-indicators reviewing access, soundness, micro-lending, equity investors, and venture capital.
ARMENIA CASE STUDY

Securing a loan in Armenia is very difficult because property rights are not properly protected in practice despite the existing legal provisions. As a result, lenders over-secure loans and impose onerous requirements and costs, particularly on newly established startups and small enterprises. Commercial banks are conservative and remain focused on large companies. These challenges are compounded by a weak credit culture between lenders and borrowers, upon which trust and efficiency are based.

The problems include financial sector inefficiencies such as the lack of appropriate innovative financial tools (e.g., venture and angel financing) tailored to SME lending needs. Banks prefer to finance already operating large companies rather than small businesses or start-ups that cannot prove their financial solvency. When small businesses do obtain financing, interest rates are often high. This is partly due to risks associated with the borrowing firms. Difficulties and costs related to loan recovery have substantially added to the risk.
High interest rates are also related to the risk of currency devaluation. Banks that receive dedicated funding from donors in foreign currency for SME lending make the actual loans in Armenian drams, and at significantly higher rates, due to exchange rate volatility. In addition there are poor risk valuation and loan pricing mechanisms as local banks lack the skills to appropriately price small business loans. 

CORE ELEMENT 3: EFFECTIVE GOVERNANCE

“The protection and promotion of the universal human values of the rule of law, human rights and democracy are ends in themselves. They are also essential in a world of justice, opportunity and stability. No security agenda or drive for development will be successful unless they are based on the sure foundation of respect for human dignity.” - Kofi Annan, In Larger Freedom, p. 47

Figure 5: Effective Governance Scorecard

Effective governance requires the trust of the people. Good governance procedures ensure that the opinions of all rather than just the opinions of the elite and powerful are represented in the governing of a country, a company or an organization. Institutions that help achieve the proper balance between representing the views of those who hold power and the citizens they serve are critical not only to political stability, but to the functioning of property markets. Achieving broad-based representation as well as transparency in decision-making through good governance is essential to the credibility of governments, regulatory bodies and the policymaking process.

For property markets to attract direct foreign investment, governments must be representative, free of corruption and allow the flourishing of private enterprise.

In this element democratic representation, lack of corruption and efficient administration are the main indicators. In addition some of the sub-indicators encompass voice and accountability, public information, market intervention, transparency and the size of the government.

KENYA CASE STUDY
While overall levels of corruption remain high, the level of awareness and public outcry has increased, resulting in a reduction of openly corrupt practices. Yet, a resurgence of systemic or high-profile corruption is on the rise, in many cases relating to property markets. Despite efforts to reform, Lands Minister, James Orengo, has recently admitted that the fight against graft in his ministry may take longer to be effective due to “the endless chain of corrupt officials and brokers involved in land transactions and syndicates.”

Patron-client relationships still exist within the public sector and there are cases of corruption that involve council officers colluding with clients to manipulate assessed land values in order to lower their annual property tax rates. At the same time, the public in general and the small business community specifically report that some administrative procedures have improved.6

CORE ELEMENT 4: RATIONAL DISPUT RESOLUTION

“Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.”

-Universal Declaration of Human Rights – Article 10

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Courts are the public arbitrators of fairness and equality. Without an independent and accessible court system, inequalities of property and power can be perpetuated for generations. The conflict between the “landed gentry” who held property rights in perpetuity and the merchant classes in feudal England led to the creation of the property rights system that governs much of the Western world today. This system recognizes that diversification of ownership and the rise of a politically powerful middle class are essential to the development of not only property markets, but the broader economic development brought about by entrepreneurs and innovation.

In many parts of the world, citizens are still locked out of the power that comes from ownership. Access to the courts is too costly for most people and the judiciary is often highly influenced by entrenched political powers. Even in countries with developed civil or common law systems, contract enforcement is complicated, slow and costly – not only in direct costs, but in opportunity costs when properties sit vacant and unused.

Fully functioning property markets require that specialized commercial courts be developed to deal with property disputes outside the criminal court system. Respected alternative dispute resolution methods completely outside the courts are also excellent means of fairly and efficiently dealing with conflict and building property value. Finally bilateral commercial treaties between countries and regions are also essential in today’s global investment market.

The main goals of this element seeks to have an efficient institutional framework that balances the rights of the public, owners, lenders and borrowers in the event of a dispute or loan default.

The rule of law, enforcement of contracts and commercial dispute resolution are the lead indicators for this element. Additional data on sub-indicators ranging from impartiality, cost of crime, judicial enforcement, summary proceedings, and alternative dispute resolution are collected.

CHINA CASE STUDY

Most companies that have a “big title” (issued by the central government) feel that the ownership of business properties is quite secure and they trust government institutions to uphold the law and settle disputes justly. Most companies holding a “small title” (issued by local municipalities) do not. Conflict resolution involves informal settlement, the legal process, or mediation. If a conflict involves the government, an administrative lawsuit is the only option and if the suit involves property taking by the government, the case is usually refused by the court. Small businesses are somewhat disadvantaged in
dispute resolution in comparison with larger firms. Larger firms are equipped with more funds and influence, have a larger social network and often better connections to local government, and can lobby the government more effectively for a favorable outcome.

While many feel that government compensation rates are too low and the land conversion system is unfair, there are also cases where owners abuse the system. Since compensation rates for land taking in the suburbs of major cities are quite attractive, some owners use the land taking as an opportunity to build additional levels to their buildings or add parts to the buildings so that they can receive more compensation.  

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**CORE ELEMENT 5: FINANCIAL TRANSPARENCY**

"Financial transparency means timely, meaningful and reliable disclosures about a company’s financial performance. Companies need to provide transparent financials to raise capital. Investors need transparent financials to make informed investment decisions. Therefore, financial transparency is important not only because it is the bedrock of our financial markets, but also because it is absolutely essential to today’s investors."


Property markets, like all markets, go through cycles. Value continually cycles through expansion, contraction, recession and recovery. To avoid severe recessions financial mediators need to not only have accurate information about the real value of underlying collateral, but they must pay attention to the warnings of regulators and analysts during market expansion. As markets stabilize either after a recession or political conflict, financial liberalization can lead to credit expansion that exceeds the ability of financial intermediaries to assess risk. Deregulation and competition must be matched by the continued development of market participants across the entire spectrum including regulators, asset valuers, rating agencies and data providers.

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7 China Property Markets Scorecard: Conditions for Small Businesses, Center for International Private Enterprise and the Unirule Institute of Economics, 2011.
The goal of this component pursues the existence of a well-developed and transparent financial system that includes strong supporting institutions and highly trained and ethical professionals that contribute to effective financial intermediation and deep and broad access to capital and financial services.

Furthermore, the lead indicators for this element include market stability, independent asset valuers, and data standards, while the sub-indicators look for data regarding availability of financial service, insolvency processes, training, ethics, and standards of valuers, and sales and operating data.

![Figure 6: Financial Transparency Scorecard](image)

**PHILIPPINES CASE STUDY**
A costly and time-consuming insolvency process (38 percent of the estate value with proceedings taking 5.7 years, according to World Bank’s *Doing Business*) severely affects property market efficiency. The market is also hampered by the incomplete implementation of reforms meant to professionalize real estate services.
The Real Estate Service Act, or RESA, was passed in 2008 to regulate the practice of real estate in the Philippines (as of late 2016 the Act has yet to be fully implemented). The development of the real estate profession is also limited by weak data standards, as accurate property information is not made available electronically in formats that are consistent with international standards. For instance, there is no standard system for interface among brokers and agents where they can share contracted listings of properties for sale.

At the same time, some improvements in the quality of valuation are on the horizon. International Valuation Standards are in use by valuers connected to international firms and are part of pending legislation dealing with the valuation profession.  

CORE ELEMENT 6: APPROPRIATE REGULATION

“While this crisis had many causes, it is clear now that the government could have done more to prevent many of these problems from growing out of control and threatening the stability of our financial system. Gaps and weaknesses in the supervision and regulation of financial firms presented challenges to our government’s ability to monitor, prevent, or address risks as they built up in the system.”


The development of property markets depends on appropriate government regulation and the continuous development of regulators as markets become more sophisticated. Regulators tend to focus on the narrow confines of their jurisdiction. As market participants learn the system, they often begin to find ways to work around regulations, or shop around for a more lenient regulator or a less restrictive country to place their investments. These efforts to avoid regulation increase systemic risks and can lead to a cascading economic collapse.

The goal of this component supports the existence of a comprehensive regulatory regime that is transparent, efficient, and simple in its implementation and that leads to accurate reporting of property values and prudent protection from market risks.

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Fair tax regime, professional services and capital markets constitute the lead indicators for this component; this is expanded by sub-lead indicators researching on tax transfers, asset values, security exchanges, brokerage and agents, mortgage professionals and capital markets.

**FIGURE 7: APPROPRIATE REGULATION SCORECARD**

**ARMENIA CASE STUDY**

Yearly property taxes are high mainly in the capital and especially if a commercial property is located in the central business district. The overall tax rate for small businesses is not excessive although many consider it high. As the property tax is a local tax and goes to a municipal budget, according to the Law on Property Tax, the local governmental bodies can give discounts for property tax up to 10 percent of the annual amount collected. This principle is applicable to all businesses regardless of size. However, in practice is has been used to alleviate the plight of the poor who cannot afford to pay property tax rather than to encourage the growth of new and sustainable businesses. Regarding the regulation and practice of
professional real estate services, the majority of entrepreneurs consider most real estate agents and other service providers knowledgeable but not always honest.  

CONCLUSIONS FROM MULTI-COUNTRY SCORECARD METHODOLOGY IMPLEMENTATION:

Having provided key elements of the Scorecard methodology and excerpts from implementation case studies, the common findings of a multi-country project that CIPE, IRPF’s Scorecard partner, used to examine impediments that small businesses encounter in urban commercial property markets. This targeted focus was selected because of the complexity of property rights issues and the relevance of accessibility of property rights and institutions for supporting comprehensive participation of small entrepreneurs in the economy.

To carry out this initiative, CIPE worked cooperatively with:
• Association for Foreign Investment and Cooperation in Armenia (Yerevan and Dilijan),
• Unirule Institute of Economics in China (Beijing and Nanchang),
• Institute of Economic Affairs in Kenya (Nairobi and Mombasa), and
• Institute for Solidarity in Asia in the Philippines (Manila and San Fernando Pampanga).

Local demand, concern in property rights and emerging opportunities for reform in this area drove the country selection. The main thrust in all countries studied was to look beyond the indices regularly reviewed to describe property markets, secure first-hand perspective of barriers encountered by entrepreneurs regarding property transactions, and recognize reform priorities to bring about change through advocacy.

After completing an in-depth analysis of the available secondary data such as international indices and national statistics, CIPE partners implemented fieldwork in two select cities to localize the outcomes. A mix of local focus groups and interviews was used to gain the most accurate snapshot of the conditions entrepreneurs face in dealing with the government, banks, and professional services providers in the property sector. Though necessarily subjective, these small businesses’ views specifically illustrate key problem issues precisely because of the real, personal experiences they reveal.

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Key findings given the similarity of institutional weaknesses that many countries share and reform recommendations from this study follow.

**TENANTS’ RIGHTS ARE OF SPECIAL CONCERN**
Due to their size and limited assets, many small businesses cannot afford to purchase the premises where they operate – especially in expensive capital cities – and remain dependent on renting. Interviews with entrepreneurs show that, regardless of geography, tenants lack adequate protection from arbitrary termination of lease contracts. When a business must unexpectedly vacate its premises, it not only bears the cost of finding new space and moving, but also often loses its investment in equipment and any immovable improvements to the occupied property.

This insecurity in part comes down to the fact that most rental arrangements are handled informally and therefore provide no legal recourse for tenants. At the same time, even where formal lease contracts exist, small businesses are often not knowledgeable or confident enough to undertake meaningful negotiations of rental terms, leading to exploitation by property owners. The abuse of tenant rights happens not only in illegal evictions but also through the negligence of property service obligations by landlords.

**LEVEL OF LEGAL PROTECTION DOES NOT CORRESPOND WITH IMPLEMENTATION**
Even though in all reviewed countries property rights were protected in the corresponding constitutions and legally preserved, the implementation of laws and regulations overseeing property markets differ in practice, leaving countless small business vulnerable. On the books, the laws are frequently not applied effectively and violations are customary. Illegal evictions, sometimes carried out by police/vigilantes force and not being properly compensated by the government, constitute a frequently mentioned problem as well as a major threat to property rights protection.

These property markets’ shortcomings are a function of the general institutional capacity deficiencies of each country. When the legal, regulatory frameworks, the judicial system and enforcement systems dealing with property rights protection are weak, it is generally a sign of larger governance and rule of law matters.

**FRAGMENTED NATURE OF PROPERTY MARKET INFORMATION**
Due to fragmented and unclear state of real estate information, it is difficult to accurately estimate the breadth and depth of urban commercial property markets in studied countries. The distinction between commercial and residential property is not always transparent because many small businesses work from
their homes or use properties that are classified as residential. Comprehensive data are seldom accessible in friendly-user, standardized electronic formats. This means that pieces of information on sales and rentals are dispersed on different websites, in databases, printed media, real estate offices or word of mouth. In particular, ownership information is difficult to ascertain due to the customary practice of multi-level subleasing.

Furthermore, the accuracy of available pricing information is generally challenged by the complex valuation of real property. Although the applicable standards are normally regulated by law, these are not always implemented and fully compliant with the International Valuation Standards.

**COMPUTERIZATION OF LAND RECORDS IS NOT A PANACEA**

Where land registries remain paper based and run manually, computerization of property records is indeed a desired improvement and these efforts are underway in Kenya and the Philippines. Computerization has not only the ability to improve information management and accessibility but also to curb the “human factor” of interacting with public officials assigned to property transactions and thus limit corruption opportunities. Nevertheless, experience attests that digitation is not a magical solution to this complex issue. For one, the time it takes to digitize normally leaves a lot to be desired. The intermediate stage, when some records are digitized but others are not, generates confusion and chances of bribery to obtain information on a speedier fashion. These delays are normally common at local registries levels where reliable access to property information matters the most for small businesses. One reason for this is the lack of computer knowledge and capacity to work with digitized registries. Another aspect deals with the fact that manual searches represent a source of income for local registry offices and they may be unwilling to give it up.

**CORRUPTION IN THE PROPERTY TRANSACTIONS**

Besides the existence of bribes related to some registry record searches, corruption is present in many other phases of property transactions, including dubious land deals involving government officials, improper compensated land taking, and preferential zoning. Though corruption in many of those instances is not evident, it penetrates the real property transactions systems out of the public view through conflict of interest and collusion concerning public officers, developers, and individual buyers or sellers.

**DIFFICULTY IN ACCESSING CREDIT**

In lending guaranteeing loans with real property collaterals is the norm. This prevents many small businesses from accessing credit because the majorities do not own immovable property or if they do, the
title may not be formally documented. Lending based on business plans is a methodology being introduced slowly in some markets but normally small businesses have limited accounting skills and business practices required for the development of relevant business plans. Moreover, should businesses have those skills and submit a viable loan application, interested rates commercial banks charge are unaffordable for many entrepreneurs. Specific small business funds, development banks and microfinance organizations contribute to expanding small businesses’ access to credit even though credit requirements remain too burdensome for some businesses, in particular those in the informal sector.

Other financial strategies such as venture capital and angel investment critical for the success of small and innovative companies in emerging economies remain limited for small businesses.

**WEAK JUDICIARY AND DISPUTE RESOLUTION**
An effective, transparent and equitable judicial system—accessible to all—is indispensable for the protection of private property. Nevertheless, the courts in studied countries are likely to be costly, overloaded and slow. Judges are ill-trained for adjudicating commercial cases and frequently under political pressures. Thus, many small businesses have no confidence in the public system and do not consider it as useful for business dispute resolutions, including those dealing with property transaction costs. To make up for this gap, some businesses use alternative dispute resolution, if available in their country, but the majority relay on trust achieved through previous transactions and reputation rather than on written legal instruments, which are normally unenforceable.

**COMPLEX REGULATION OVERSEEING PROPERTY RIGHTS**
The level of complexity dealing with land regimes continues to be a major challenge. There are numerous institutions dealing with land issues, many with overlapping responsibilities and countless processes required for buying, selling and renting real property. This complicacy creates not only inefficiencies but also opportunities for corruption. It also supports a common lack of awareness by small businesses regarding the legal provisions and rights involved in land ownership and transactions. Moreover, in interviews with local businesses in all countries commented that businesses and civil society entities are not always sufficiently informed of changes in property laws; this contributes to the on-going lack of knowledge regarding property rights laws.

**UNCLEAR LINE BETWEEN FORMAL AND INFORMAL SECTOR**
Though the overt focus of this project centered on formal businesses, when you deal with small businesses, it is hard to differential formal from informal; even registered businesses generally
underreport part of their operations to avoid what may be considered excessive taxation. Similar factors that keep businesses informal or semi-formal have a role in whether or not they take part in formal property markets. Many small businesses fail to register in the formal system because of the high costs and time-consuming bureaucracy associate with it. Others choose to omit formal property purchases or rentals for the same motive.

**POLICY REFORM RECOMMENDATIONS**

**PROPERTY RIGHTS POLICY AND IMPLEMENTATION RECOMMENDATIONS:**

- Simplify and harmonize property rights frameworks, including the functions and procedures of agencies involved in land administration.
- Create a more structured, accountable, and transparent process data collection on property rights administration, starting with fully digitized registries.
- Develop new legal tools tailored to small business needs that would formalize the informal transactions already common in the market (e.g., short-term leases or daily permits that do not require bulk rent payments).
- Educate small businesses about their rights, in particular those related to new or revised property-related laws.
- Improve legal protection of tenants, especially regarding business losses related to abrupt lease termination by landlords.
- Provide tenants with standard simplified lease templates and educate them about the benefits of signing formal leases.

**ACCESS TO CREDIT POLICY AND IMPLEMENTATION RECOMMENDATIONS:**

- Develop new forms of financing tailored to small business needs (lending based on leasehold, business plans, purchase orders, or movable assets; factoring in future income in loan eligibility; greater availability of venture capital and angel investment).
- Provide guaranty systems to finance start-ups and newly established small businesses.
- Standardize loan and mortgage documents to helps small businesses transfer from one financial institution to the other searching for better loan terms.
- Educate small businesses on proper methods of financial record keeping and preparing sound business plans to help them become more credit worthy.
• Improve cooperation between nongovernmental organizations, cooperatives, microfinance institutions, and local governments in providing alternative formal lending.
• Encourage small businesses formalization as the ultimate solution to enhancing their access to credit.

EFFICIENT GOVERNANCE POLICY AND IMPLEMENTATION RECOMMENDATIONS:
• Restructure agencies dealing with property rights so that the division of responsibilities is clear and property-related procedures and data collection and sharing are more efficient.
• Institute better linkages between national and local government units responsible for property administration.
• Enhance governance and accountability, especially at the local level, for instance through more effective setting and enforcement of service charters.
• Improve urban planning in the face of rapid urbanization to dedicate space for small vendors in commercial centers.
• Recognize that corruption is a two-way street and push for higher integrity standards and anti-corruption mechanisms among both government officials and businesses.
• Strengthen dialogue between the public and private sectors so that private sector stakeholders participate in public hearings, technical working groups, and consultations on property-related issues at various government levels.

RATIONAL DISPUT RESOLUTION POLICY AND IMPLEMENTATION RECOMMENDATIONS:
• Educate businesses about the need to enter into formal transactions regarding property or any other aspect of business in order to possess legal recourse should a dispute arise.
• Provide judiciary training, capacity building, and better accountability mechanisms in the resolution of property-related cases, notably expropriation, legal ownership, and informal settlements.
• Given the entrenched inefficiency of courts, develop alternative dispute resolution methods such as tribunals tailored to small businesses or small claims courts.

FINANCIAL TRANSPARENCY POLICY AND IMPLEMENTATION RECOMMENDATIONS:
• Harmonize data standards to ensure that accurate property information is available to all market participants.
• Understand work currently underway to create International data standards on property measurement, open exchange standards for the real estate industry and other electronic exchange standards.

APPROPRIATE REGULATION POLICY AND IMPLEMENTATION RECOMMENDATIONS:
• Implement public policy and administrative improvements to reduce the level of bureaucracy, corruption, and monopolization in the economy.
• Lessen the burden of tax involved in property transfers to encourage formal transactions and limit incentives for corrupt practices aimed at avoiding excessive transaction costs.
• Lower the overall tax rate for small businesses and simplify tax administration and collection procedures to encourage formalization.

The analysis of the Scorecard Methodology implementation data gathered in this multiple-country project proves the validity of the methodology and provides specific policy decisions and reform activities that can improve property and land markets and contribute to overall economic development and the elimination of poverty. Regularly updated and standardized qualitative and quantitative secondary research data and robust field assessments are needed for all countries, especially emerging markets.
REFERENCES

http://www.economist.com/node/1559905


