

Land Governance in an Interconnected World

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Building Land Markets in Developing Economies

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Introduction

To date, the development of land registration and administration systems has tended to concentrate on the *supply* side, and less attention has been given to stimulating *demand* for such services. It is not simply a matter of having land administration services in place: there needs to be clear advantages in using the services - access to finance; private sector investment possibilities; transparency of information and the wider benefits that flow from secure transactions. This poster looks at where land markets have flourished, and how to encourage development in emerging economies.

Experience from Eastern Europe – post 1992 – the land market paradigm

Land Reform and the re-establishment of land administration systems emerged as one of the key reform areas for the East European Transition states, receiving enormous investments from international donors. Initially the focus was on the re-establishment of the legal environment, technical systems and infrastructure supporting land administration. By the late 1990's this emphasis shifted to land markets, with a growing understanding that the role of land administration was to underpin and support the land tenure system and allowing the real estate market to function transparently and efficiently as an element of a market economy (Dale & Baldwin, 2000). This promoted a service based approach, e-government and "joined up" services with efficiency, value for money and quality of service as key drivers.



Initial institutional reform of the early 1990's and the economic transition led to increased Land Market activity, creating today's mature land and property market.

At the time of the political changes of the early 1990's, East European countries did not have land administration systems supporting private property, so there was effectively no land market activity and no institutional structures or private sector services supporting transactions. The EU, World Bank and other donors embarked on an intensive institution building programme which also supported property privatisation, restitution, compensation and the creation of land registries and cadastral systems and massive data creation programmes. As it became possible to transact, and financial instruments such as mortgages became available, the market itself started to take off and the land market activity increased dramatically. The result is that within 15 years, most East European countries had built land administration systems supporting more mature stable markets, with transaction levels at the same kind of level as western Europe. The creation of open, transparent and functioning Land Markets came to be seen as a key indicator of the transition process, with most countries passing through several phases, eventually arriving at more mature land markets with almost complete registration, and all required supporting structures in place.

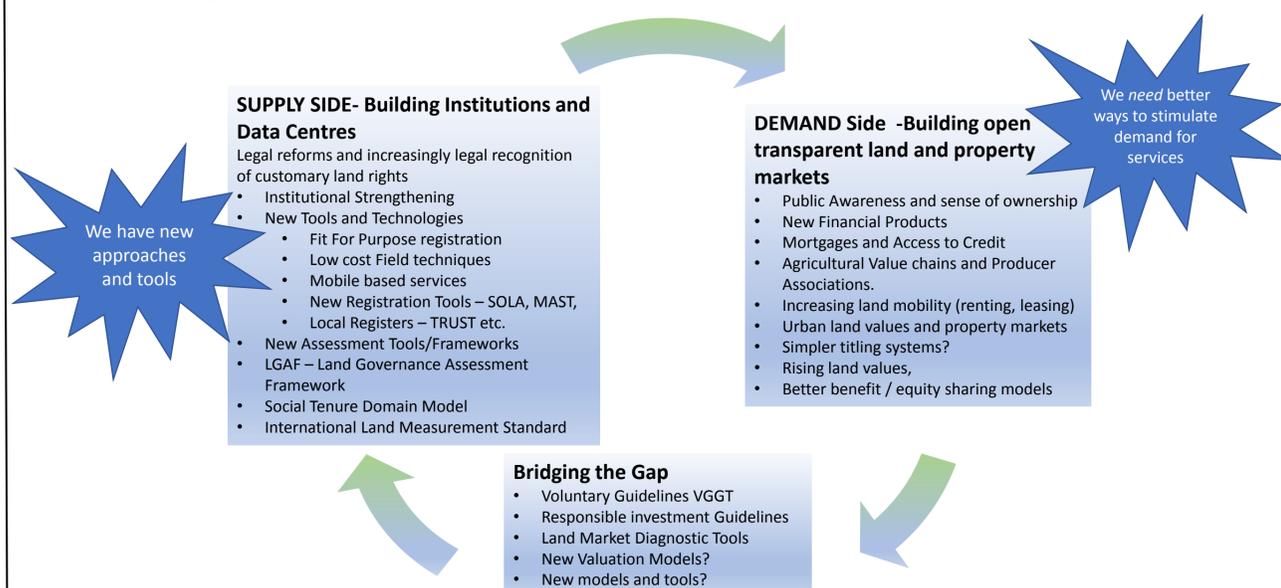
Why it's important

Real estate is a key economic, societal, and cultural asset for countries, and how the real estate market functions and operates will have a big influence on how and in what way a country develops. Functioning land markets can have a big impact:

- Real Estate can represent up to 50% of the value of a country's GDP and can be responsible for up to 25% of economic activity within a country (The Economist).
- Secure real estate title can be used as security for mortgages which is the single largest financial level for many individuals.
- According to the World Bank (2005), those countries with a well-functioning registration system are up to 25-40% more likely to attract foreign investment than a country with a poor record of title security.
- On average within Europe, every \$5 spent on land administration within the public sector can generate up to \$95 of economic activity in the private sector.

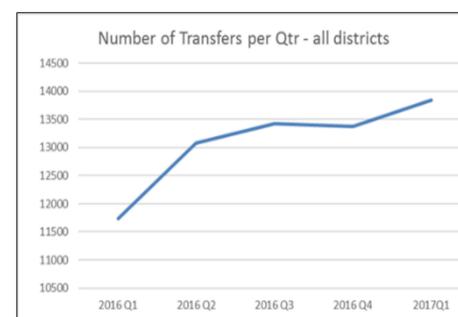
In order to function, Land Markets need systems in place to provide land administration services (*Supply side*) and also there also needs to be a healthy demand for those services (*Demand side*)

The diagram below highlights the tools and approaches which have been developed to stimulate the supply side of land administration. These have been widely utilised and proved successful. The challenge now is how to stimulate the demand side and help bridge the gap to develop efficient and transparent land markets.

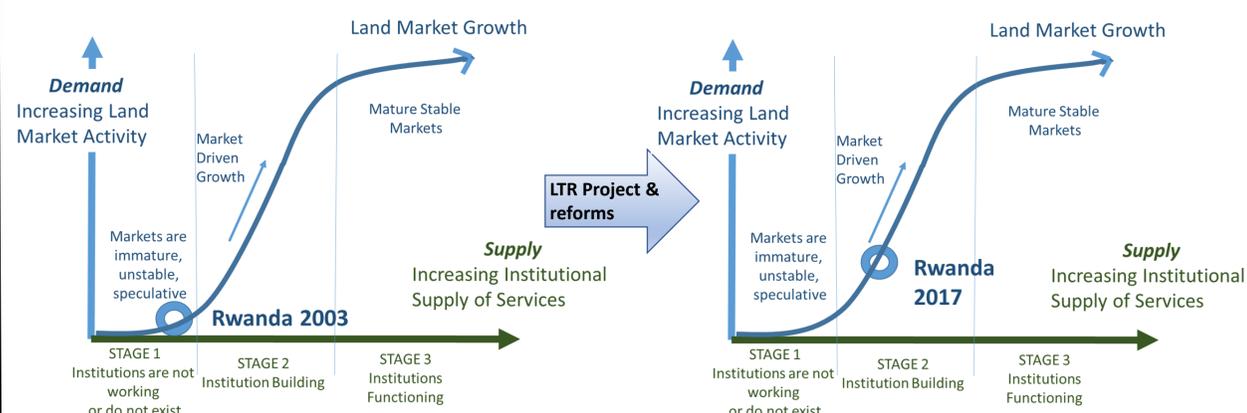


Case Study: Emerging Land Markets in Rwanda

A recent review of the Rwandan Land Tenure Regularisation project (August 2017) shows that there is now an emerging land market in Rwanda, with total transactions over 250,000 per year, and formal transfers (sales) increasing by an average of 60% each year from 2014 to more than 50,000. Considering all transactions related to change of ownership, this figure rises to almost 100,000 per year. The LTR project (2005-2018) was supported by DFID, NL, SIDA, EU and the Government of Rwanda and pioneered how fit-for-purpose registration combined with community participation could complete registration across an entire country in less than five years (2009-2013), registering more than 11.4 million parcels at an average cost of around \$7 per parcel. Services to provide electronic registration of title are now available, and a mobile phone based app that can



provide information about land parcels has now received more than 600,000 requests since it was established less than 18 months ago. A major feature of the Rwanda approach has been to promote public awareness while striving to increase data quality, reliability and provide services able to meet the needs of citizens which has helped to stimulate awareness and demand. The challenge now is to be able to continue to meet the demands of the growing land market while transitioning to an independent entity and ensuring that services can be provided accordingly.



What Next?

To help us better understand how land and property markets work across residential, agricultural, and commercial sectors within a country, DAI has developed a Land Market Diagnostic Tool (LMDT). The tool can help to identify barriers within a particular sector that impede both land market development and the achievement of sustainable land administration systems. LMDT focuses on specific market sectors, appreciating that each market is host to distinct land and property dynamics, stakeholders, and participants. It allows us to identify the key barriers in a specific market sector, quantify them, propose remedial measures and provides indicators for tracking policy interventions..

In order for land markets to thrive, we believe that the demand side needs to receive the investment and attention which the supply side has benefitted from in the recent past and we wish to draw attention to this and encourage further research.

Reference: Dale, P., & Baldwin R., 2000, Lessons Learnt from the Emerging Land Markets in Central and Eastern Europe, <https://www.fig.net/resources/proceedings/2000/prague-final-papers/baldwin-dale.htm>