

# From Property Rights to Property Markets - the Role of the State



**WORLD BANK GROUP**  
Social, Urban, Rural & Resilience

“Building Sustainable Communities”

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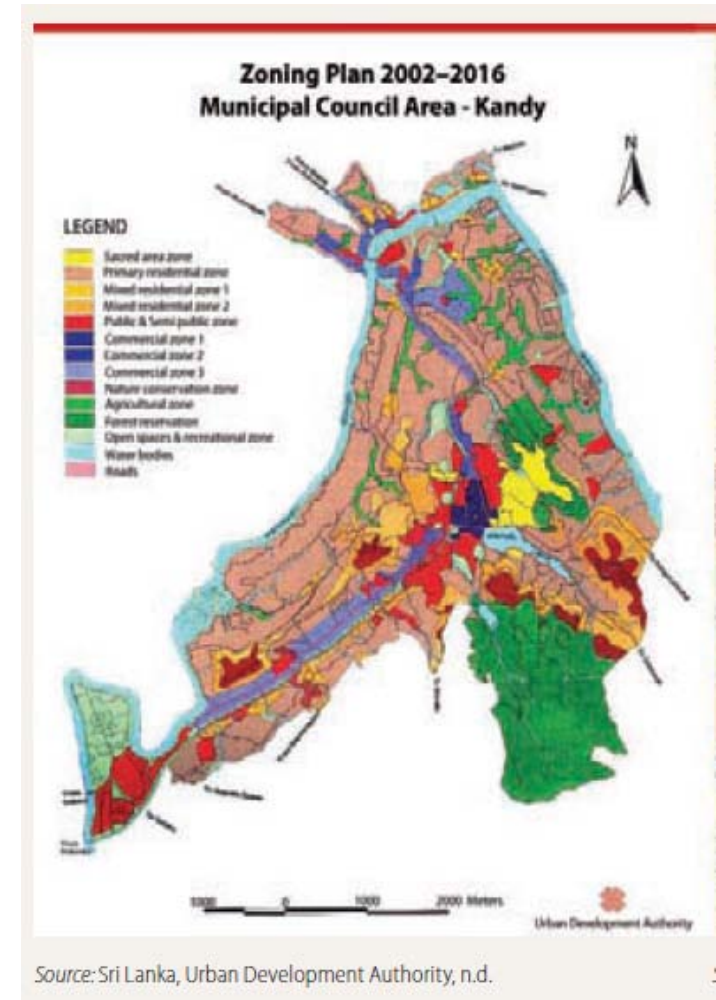
# Characteristics of Property Rights/Markets in Advanced Economies

- Property rights are protected – including the rights of vulnerable groups (indigenous people, women, etc.)
- Transfer of property is done within a reasonable timeframe and transaction cost
- Property markets are efficient (property is utilized by high and best use) and investors can access properties with ease
- Equitable taxation structure on properties
- Citizens can access a mortgage with reasonable interest rate using land/property as a collateral



# Factors Affecting Property Markets

- Security of property rights and well functioning land registration systems
- Land use planning and zoning regulations
- Management of state property/land property
- Taxation policies
- Financial markets
- Judicial system and enforcement of contracts



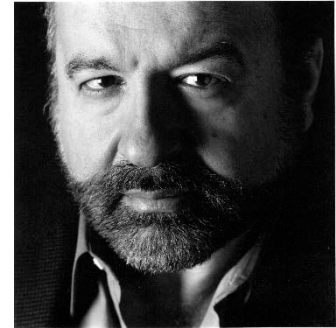
From: Leveraging Urbanization in South Asia: Managing Spatial Transformation for Prosperity and Livability, by Peter Ellis and Mark Roberts (Washington, DC: World Bank, 2016)

# Security of Property Rights and Well Functioning Land/Property Registration System

- Laws and regulations that deal with property rights are clear and enforced
- Institutions to implement laws have the adequate capacity and financing
- Judicial system is transparent and effective to protected rights
- Government implements programs (from financing to complete registration of rights)
- Complementary programs are needed to ensure full protection of rights (i.e. forest boundaries, shore lines,.. etc.)
- Government enacts laws to protect the right of vulnerable groups (indigenous people, women, etc.)

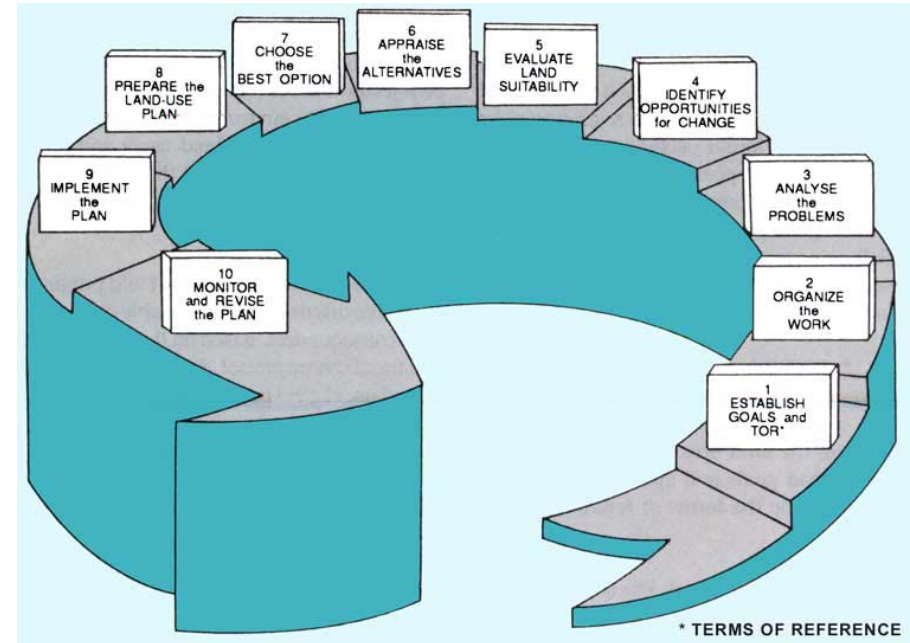
“Without an integrated formal property system, a modern market economy is inconceivable”

Hernando de Soto Polar,  
*The Mystery of Capital*



# Land Use Planning and Zoning Regulations

- Land use planning and zoning regulations need to respond to property market demands
- Rigid land use planning regulations often induce distortions on property markets (e.g., food security policy in several countries that limits conversion of agriculture land to urban areas)
- Housing policy and rent control



From: Guidelines for Land Use Planning, FAO, 1993

# State Property Management

- Some countries have large state controlled properties, often in prime location (e.g., 95% of land in Kuwait is in state control)
- Many states do not even have a full inventory of state properties
- Leases often not effective and do not guarantee full utilization of properties; no adequate financial return to the state



# Property Taxation

- Property taxation is an important source of local government revenues
- It also gives government a tool to correct market distortion when is overheated
- It also can bring incentives to discourage speculations and holding under-utilized or idle land
- Many countries have used several taxation mechanisms, such as annual property tax, capital gains tax and idle land tax to correct these distortions



# Financial Markets

- Macro-economic stability
- Availability of financing (mortgages)
- Well regulated financial sector





# History of Engagement

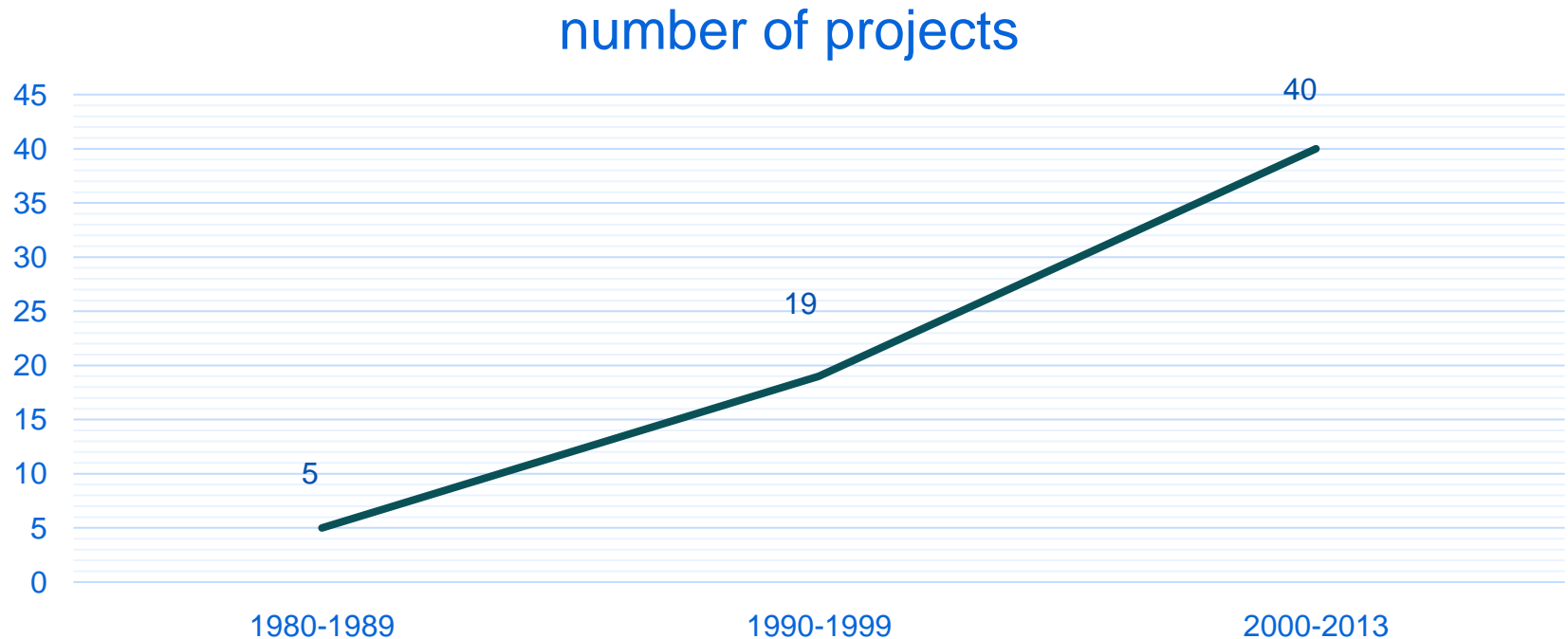
Three generations of land engagements supported by the World Bank

**First Generation  
(1980s – 1990s):  
Land Titling**

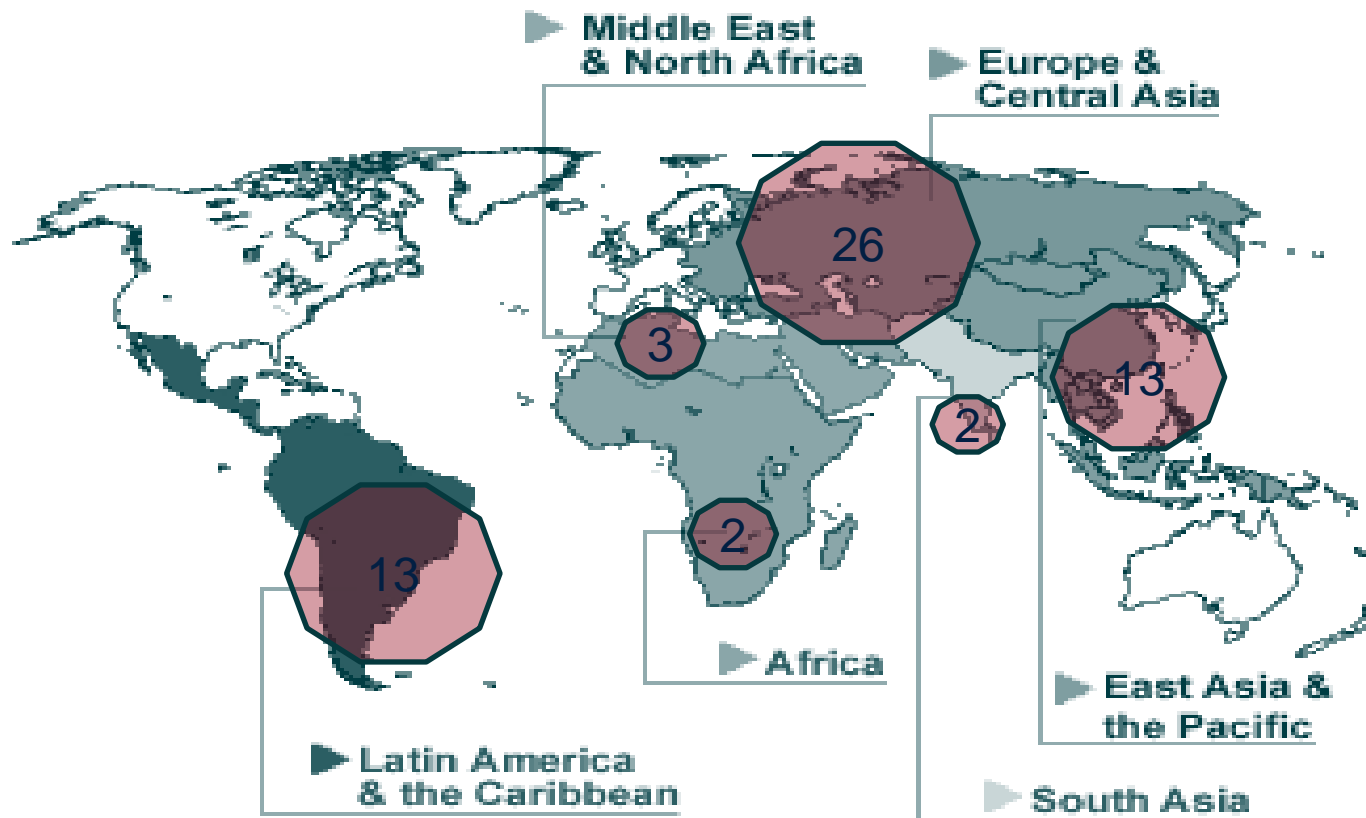
**Second Generation (2000s-  
2010): Land Titling,  
Governance and  
Computerization**

**Third Generation  
(2010 – Now): Land  
Titling, Governance,  
Computerization;  
Policy and NSDI**

# World Bank Engagement on Land Land Projects (US\$3 Billion approx.)

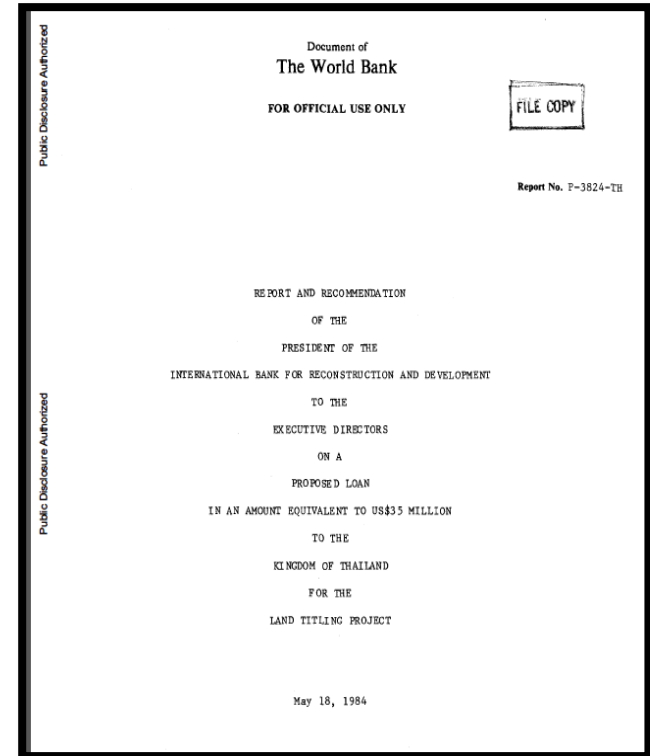


# World Bank Engagement on Land Distribution of projects (1980-2015)



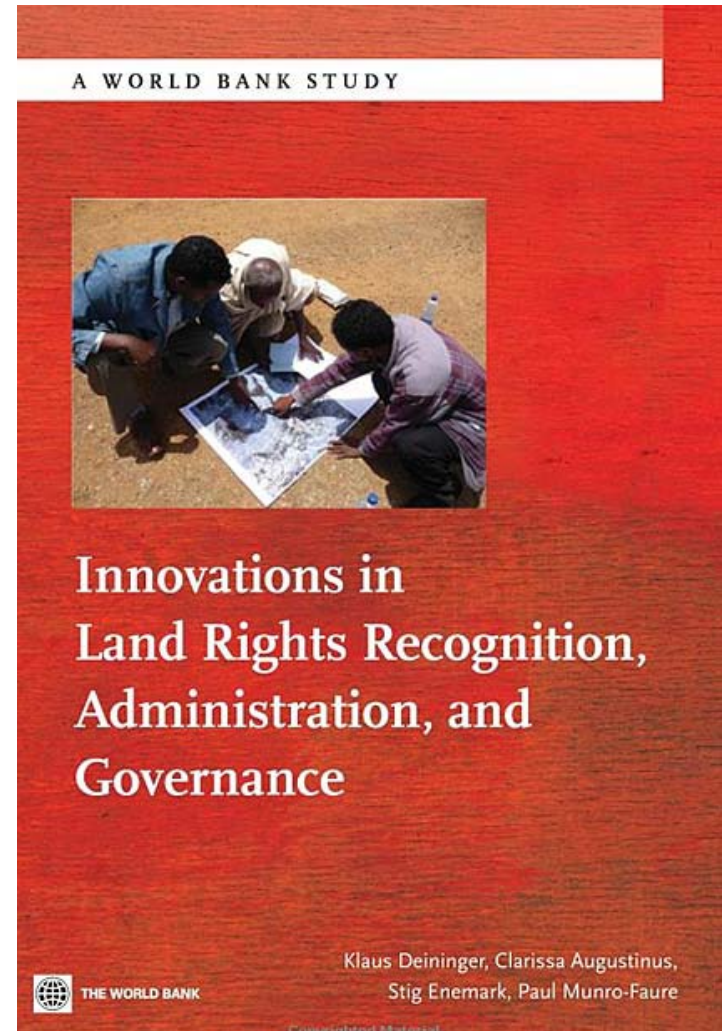
# First Generation (1980s-1990s)

- Started with the Thailand land titling project focused issuing titles with the goal to improve agriculture productivity
- Support also provided for drafting laws and regulations
- Similar projects were implemented in Indonesia, Laos, Cambodia, Vietnam, and many of the Eastern Europe countries
- Economic impact assessments have shown land titles have increased agriculture productivity, increased access to credit using land as a collateral and reduced cost of borrowing

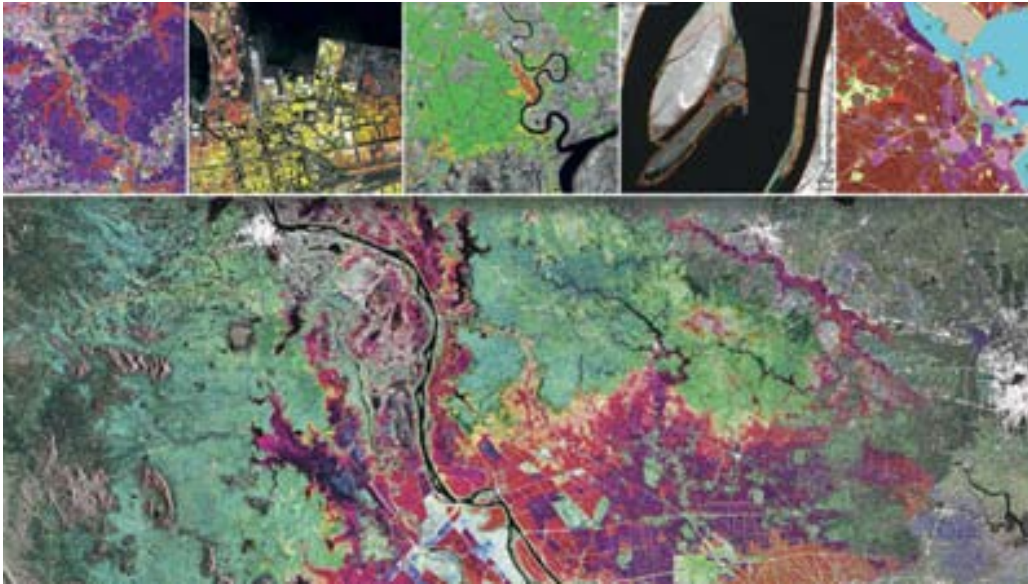


## Second Generation (2000s-2010)

- In addition to issuance of land titles/cadastral, increased focus on building sustainable institutions and computerization of land registries in addition to some work on property valuation
- Many of the Europe projects fit with this, e.g., Russia, Turkey, Macedonia, Croatia, Bosnia, etc.



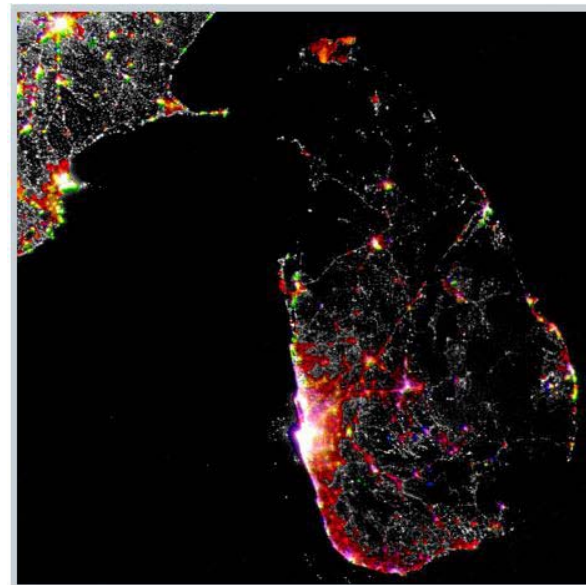
## Third Generation (2010-now)



- In addition to areas covered under the first and second generation, third generation of projects focused on NSDI issues, computerization and data conversion, and data sharing
- Most new generations projects fits this combination

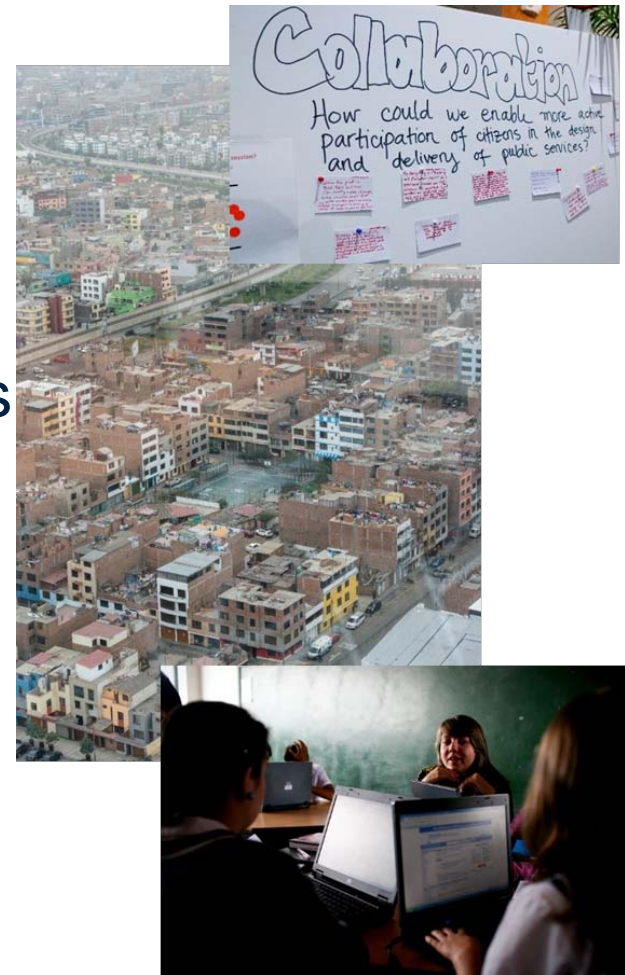
# What Could be the Fourth Generation?

- Completion of land titling/Cadastre using new technologies and adopting fit for purpose to compress time of completion from 10-20 years to 3-5 years
- Directly collect data in digital format
- PPP (Private Public Partnership) not only in cadastre construction/issuance of titles, but, in management of registry offices
- Integration of land data with other important data (zoning, taxation, financial sector, market research, utilities and development of smart cities, as part of E-Government programs.



# Policy and Politics of Reform

- Technology and financing are only part of the solution.
- Often the problem is with political will for change caused by vested interests
- There are always winners and losers of land governance reform with the losers often the political/economic elites (at least in the short term)
- However, when the economy grows as a result of reform, they often benefit





# So, What Could be Done

- Civil society and professional organizations need to highlight the importance of reform
- Conferences and exchanges of ideas
- Research and outreach to policy makers
- Promoting the development of comprehensive **National Land Policy** to be adopted by government and guide the reform process
- National Land Policy should be fully owned by government instead of donor driven document
- Should serve as a road map for reform.



# THANK YOU

