Land Issues from a Private Sector Perspective

Regional PSD Workshops
Why do we study land?

Many interest groups are looking at land through specialized lenses and work towards the implementation of particular land policies.

BUT limited focus on land from PSD perspective (Especially, limited discussion based on developing countries experience)
Securing property rights encourages private investment

- **Investor surveys**: access to land is a major constraint to operations

- **Doingbusiness 2005**: Large economic benefits can be reached from protecting property rights.

- **McKinsey (1991-2004)**: Land market issues are major barriers to investment and competition in more than half the economic sectors (e.g. retail, housing and tourism).
Land has been a major obstacle to investment in many countries

Percentage of respondents claiming that procedures for accessing the land are an obstacle for their business operation and growth

Percentages are calculated on the base of respondents giving an answer to this question. Respondents had an option not to answer, which usually means that they had no experience with land obtaining or no need for land. Overall the share of non responding businesses is 41.4%. Source: ARCS
Harder to register property in poor countries

<table>
<thead>
<tr>
<th>Region</th>
<th>Days</th>
<th>Percentage of property value</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD: High income</td>
<td>34</td>
<td>4.8</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>51</td>
<td>4.2</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>54</td>
<td>6.8</td>
</tr>
<tr>
<td>South Asia</td>
<td>56</td>
<td>6.1</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>62</td>
<td>5.6</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>138</td>
<td>3.2</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>116</td>
<td>14.4</td>
</tr>
</tbody>
</table>

Source: Doing Business database
India retail: Resolving land issue spurred growth

Share of modern formats in food retail

<table>
<thead>
<tr>
<th>City</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mumbai</td>
<td>~0</td>
</tr>
<tr>
<td>Delhi</td>
<td>1</td>
</tr>
<tr>
<td>Bangalore</td>
<td>8</td>
</tr>
<tr>
<td>Chennai</td>
<td>17</td>
</tr>
</tbody>
</table>

Annual rent* (Rs/sq.m. (average))

- Mumbai: 25,500
- Delhi: 23,000
- Bangalore: 9,000
- Chennai: 9,100

Modern formats growing in cities where land markets work

* Central Business District
Source: Colliers Jardine, Asia Pacific property trends; literature searches; interviews

private sector | development
Methodology

1. Desk Research
   - Various Sources
     - Bank reports
     - Doingbusiness
     - ICAs
     - FIAS
     - McKinsey

2. Empirical Research
   - Case studies
     - 10 original case studies close to completion
     - Cases from other published sources e.g. WDR 2005
     - Limitation: Small number of cases per topic, mostly pilots

3. Design Output
   - Outputs
     - Training material
     - Roster of resources
     - Checklist
     - 4 page notes
     - Case studies
Land issues concerning investors

Concerns:

1. Is land available and at what price?

2. What are my rights? Are my property rights secure?

3. Time and cost of land related procedures?

Issues:

Land availability
- State owned land
- Tribal Communal land
- Ownership/use restrictions
- Zoning/planning
- Property tax (rate & coverage)

Land rights
- Titling system
- Registration process
- Collaterals
- Transfer of property rights
- Dispute resolution mechanisms

Land development procedures
- Location permits
- Construction/building permits
- EIA
- Utility connections
- Property tax (administration)
Getting access to land can be extremely time consuming and costly

Flowchart of the procedure for allocation of land plot for business use (Nizhny Novgorod)

- Application to the Department of Economy and Planning
- Construction Passport
- Preliminary technical specifications for preliminary approval of project design and connection to engineering infrastructure
- Preliminary lease contact
- Sketch of the location of the structure
- Project cost estimate
- Draft of the Approval of the Local Administration Head for the construction/reconstruction permit
- Lease agreement for the land plot for the period of construction/reconstruction
- Registration of the land lease contract in the Book of Land Registry
- Draft of the Approval of the Local Administration Head for the Leasing contract on the Lease of land plot
- Obtaining of the proof of lease and the lease contract (a.k.a. registration of the lease in the Book of Land Registry)
- Department of Economy and Planning
- Head Directorate for Architecture and City Planning
- Head of Municipal Administration
- Committee for land resources and land use planning
- Sanitary-Epidemiological Inspection
- State Fire Inspection
- State Judicial Committee
- Total time: 273 days

Source: FIAS
Examples illustrating reform efforts to overcome land obstacles

**Concerns:**

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2. What are my rights? Are my property rights secure?
3. Time and cost of land related procedures?

**Issues:**

- **Land availability**
  - State owned land
  - Tribal Communal land
  - Ownership/use restrictions
  - Zoning/planning
  - Property tax (rate & coverage)

- **Land rights**
  - Titling system
  - Registration process
  - Collaterals
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  - Dispute resolution mechanisms

- **Land development procedures**
  - Location permits
  - Construction/building permits
  - EIA
  - Utility connections
  - Property tax (administration)

**Selected Case Studies**

- Shenzhen (China)
- Red Sea (Egypt)
- Hong Kong
- Ngamiland (Botswana)
- Makuleke (SA)
- Mozambique
- Peru
- Thailand
- Turkey
- Andra Pradesh (India)
- Novgorod (Russia)
- Cape Town (SA)
- Slovenia
State owned land - The story of Egypt (Red Sea Tourism Zone)
Three Southern African case studies

Tribes/Local Community
- Employment
- Income
- Social development
- Cultural preservation

Strategic Investors
- Long-term investment
- Efficient process
- “Good citizen” status

The State
- Strategic sector growth
- Sustainable development
- Environment protection
- Social development
Legal and administrative reforms to ensure property rights - Peru

Stage 1: Public awareness campaign and policy ownership

Stage 2: A 2-staged pilot project

Stage 3: Creation of Centralized Titling Agency (COFOPRI)

- 1.3 million registered titles between 1996-2002
- Process reduced from 7 years to 45 days
- Cost of title reduced from $2,156 to $49
To Conclude:

1. Land related constraints present a major impediment to investors.

2. Land problems are complex and country specific; they need to be dealt with accordingly.

3. Fundamental land system reforms require sustainable efforts over time. In the meantime, countries should and could explore practical and interim solution to help overcome the difficulties in providing land to investors in the transitional period.

4. There is a further need to fill the knowledge gap on reform experience in developing countries.

5. Final solution design requires collective efforts of all relevant departments within the WBG, and with our clients.